

Quarterly Financial Report

Q3 - 2021

Citizens Wastewater workers
preparing storm drains for
winter weather.



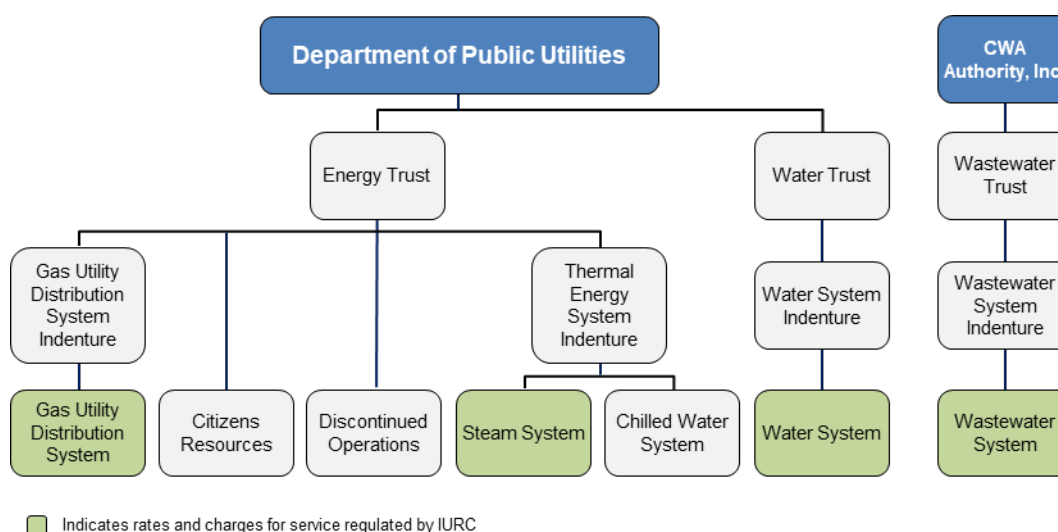
MANAGEMENT DISCUSSION AND ANALYSIS

Forward-looking Statements

Certain matters discussed in this report, except historical information, include forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates, are inherently subject to various risks and uncertainties, including risks and uncertainties relating to potential and expected effects of the COVID-19 pandemic in addition to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements contained in this Management Discussion and Analysis would prove to be accurate. We do not undertake to update or revise any forward-looking statement as a result of future events, new information, or otherwise.

Organization Structure

The chart below provides a diagram of the organization structure of Citizens Energy Group and CWA Authority, Inc. (CWA). The organization structure is further described and explained below the chart.



Citizens Energy Group (Citizens) is the trade name in which the Department of Public Utilities of the City of Indianapolis, Indiana (the Department) acting by and through its Board of Directors (the Board) for Utilities functions. The Department was formed in 1929 pursuant to a state statute (now IC 8-1-11.1, the Act) adopted by the Indiana legislature to provide the governance structure for the City of Indianapolis to act as a successor trustee of a public charitable trust (the Energy Trust) providing natural gas utility services in the City of Indianapolis and to own and operate other utility systems serving areas within and outside the City of Indianapolis. The Department is the governmental entity that owns the Energy Trust and Water Trust assets described below. Each trust is not an entity, but rather defines the nature in which the assets are held by the Department and the obligation imposed upon the Department to manage and operate those assets in accordance with the trust purposes which include the obligations to operate the facilities in public trust for the benefit of the inhabitants of Marion County, free from the influences of partisan political control or private interests. To preserve freedom from partisan political control, the Act creates the Board of Trustees (the Trustees) as a self-perpetuating body entrusted with the power to appoint the members of the Board annually. This two-board structure provides for oversight of the Board by the Trustees. Further, the Act intentionally insulates the Department from political control by isolating the two boards from the Mayor of Indianapolis or the City's legislative bodies.

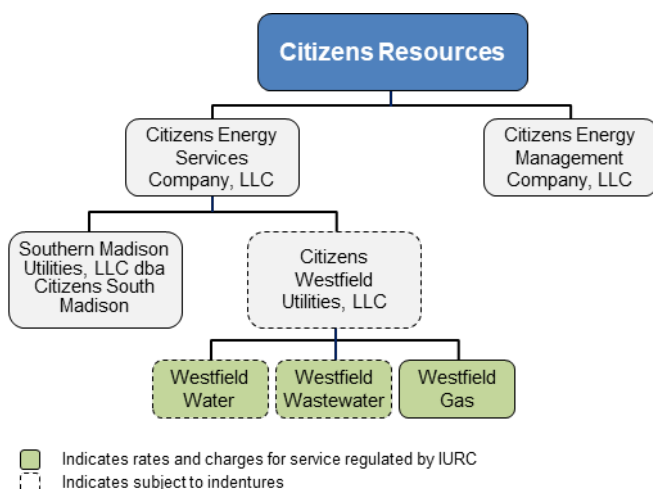
The Gas Utility Distribution System, the Thermal Energy System, Citizens Resources, and certain other properties are subject to the Energy Trust. The Water System is subject to a separate public charitable trust (the Water Trust) that operates in substantially the same manner as the Energy Trust.

The Wastewater System is owned by CWA, a separate nonprofit corporation, which through an interlocal agreement entered into by and among Citizens, the City of Indianapolis, and the Sanitary District of the City (the "District"), acting by and through its Board of Public Works, pursuant to Indiana Code 36-1-7, has the power to exercise all rights and powers of Citizens, the City, and the District in connection with the provision of wastewater utility services, excluding in the case of the City and the District, taxing power and taxing authority. CWA's board of directors comprises the same individuals who serve on the Board. The Wastewater System is managed by employees of Citizens under an operating agreement between Citizens and CWA. CWA is subject to a separate public charitable trust (the Wastewater Trust) that operates in substantially the same manner as the Energy Trust and the Water Trust.

Separate indentures exist to issue debt obligations for the Gas Utility Distribution System, the Thermal Energy System, the Water System, and the Wastewater System. Each indenture captures only the revenues from the respective System, pays the operating expenses of that System and then debt service on revenue bonds of that System. This structure is designed to achieve the desired separation of each System from other Systems or business segments owned or operated by Citizens and CWA. Each indenture permits Citizens or CWA, as applicable, authority to use residual revenues for other purposes permitted by the language of the respective indenture. Citizens' water indenture and CWA's wastewater indentures, however, permit only the use of the excess revenues for the water and wastewater systems, respectively.

In addition, as described above, each trust (i.e., the Energy Trust, the Water Trust, and the Wastewater Trust) exists separately from the other trusts. Thus, there are three separate public charitable trusts, each with a governmental entity serving as the trustee (the Energy Trust and the Water Trust assets being owned by the Department and the Wastewater Trust assets being owned by CWA). These separate trusts are designed to insulate one trust from liability for obligations of another trust, based on basic trust principles that two separate trusts do not become jointly liable solely because the same entity is the trustee of both.

The result of the foregoing is that Citizens and CWA have five distinct cash flow sources in which debt is isolated: (1) the Gas Utility Distribution System; (2) the Thermal Energy System; (3) the Water System; (4) the Wastewater System; (collectively, the four Systems) and (5) Citizens Resources. The cash flow for the four Systems is governed by the respective indentures for each System, which restricts the use of income and revenues of a respective System to the payment of operating expenses and debt service of the respective System before allowing any other use of funds by the System. The fifth source, Citizens Resources is a separate corporation whose stock is owned by the Department in its capacity as trustee of the Energy Trust. The preservation of the corporate organization form of Citizens Resources and its ability to operate for-profit businesses in furtherance of the Energy Trust purposes was specifically authorized by the Act. The assets, liabilities and operations of Citizens Resources are by design isolated within the separate corporate structure of Citizens Resources, as a subsidiary corporation of Citizens, and each of the direct and indirect subsidiaries of Citizens Resources is a limited liability company or corporation designed to limit the liability of the immediate parent to its investment in the subsidiary.¹ Those structures do not insulate the parent from liability for an express assumed contractual liability or guaranty or for the parent's own acts or omissions. In addition to the separate trusts for the Water System and the Wastewater System, those structures along with certain provisions of the Operating Agreements of such subsidiaries of Citizens Resources are the primary protection of Citizens' cash flow from any financial losses in Citizens Resources or its subsidiaries and affiliates.² Profits of Citizens Resources may roll up to Citizens through dividends declared by the board of Citizens Resources, but Citizens' exposure to liabilities of Citizens Resources should be limited by its corporate structure (and by that of its subsidiaries) and thus not imposed as a burden on the cash flows available in any System. See nearby for a diagram of Citizens Resources' organizational structure.



¹ Under public policy reflected in state law governing corporations and limited liability companies ("LLCs"), the parent stockholder of a subsidiary corporation or the parent member of a subsidiary LLC is given substantial protection against liability for the acts or debts of the subsidiary, subject to the established inherent limitations of these structures under such applicable state law.

² Since Citizens includes the results of operations of Citizens Resources and its subsidiaries and affiliates in its combined financial statements, an accounting loss within Citizens Resources will be reflected in Citizens' combined financial statements. This accounting result, though, does not create the basis upon which the liabilities of Citizens Resources or its subsidiaries or affiliates can be imposed upon Citizens or the cash flows held under any Indentures.

FINANCIAL RESULTS

The tables and discussion below summarize the financial results for each segment (in millions) and present an analysis of the results of our operations for the three months and nine months ended June 30, 2021 and 2020. Because of the seasonal nature of the various business units, results of operations for the period ended June 30, 2021 are not necessarily indicative of the results of operations to be expected for the full fiscal year. For a more detailed understanding of these results, see the following notes to the condensed combined financial statements:

- Note 1C – COVID-19
- Note 3 – Long-Term Debt
- Note 5 – Revenue Recognition
- Note 6 – Financial Segment Information
- Note 9 – Discontinued Operations and Related Asset Retirement Obligations
- Note 10 – Rate and Regulatory Matters
- Note 11 – Commitments and Contingencies

SHARED SERVICES

Shared services is comprised of various administrative and operational departments that provide support services to each of Citizens and CWA business segments and the combined enterprise as a whole, allocating the associated cost of the services to the appropriate segment. Management reviews the allocation methodology for shared services on a regular basis and refines the methodology as necessary.

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2021	2020	Change	2021	2020	Change
Shared Services Expenses	\$ 24.8	\$ 23.0	\$ 1.8	\$ 77.0	\$ 70.6	\$ 6.4

These costs have been allocated to the appropriate business units and are reflected in the explanations that follow.

Three Months Ended June 30, 2021 as Compared with 2020

Shared services expenses increased \$1.8 million primarily due to increases in the following:

- \$1.5 million labor, employer payroll taxes, and employee benefit costs;
- \$0.6 million depreciation expense; and
- \$0.6 million bank administration fees.

Partially offset by a decrease of:

- \$0.7 million software, hardware, and IT support costs;

Nine Months Ended June 30, 2021 as Compared with 2020

Shared services expenses increased \$6.4 million primarily due to increases in the following:

- \$3.0 million labor, employer payroll taxes, and employee benefits costs; and
- \$1.9 million depreciation expense.

GAS

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2021	2020	Change	2021	2020	Change
Operating revenues	\$ 37.6	\$ 34.9	\$ 2.7	\$ 205.8	\$ 197.1	\$ 8.7
Cost of goods sold	10.7	9.1	1.6	79.6	72.6	7.0
Margin	26.9	25.8	1.1	126.2	124.5	1.7
Other operating expenses	23.0	21.5	1.5	69.0	68.8	0.2
Operating income (loss)	3.9	4.3	(0.4)	57.2	55.7	1.5
Other income (expense), net	-	(0.3)	0.3	(0.4)	(1.0)	0.6
Interest charges	1.4	2.2	(0.8)	4.3	6.9	(2.6)
Segment income (loss)	\$ 2.5	\$ 1.8	\$ 0.7	\$ 52.5	\$ 47.8	\$ 4.7
Volume sales, million Dth						
Retail	3.4	3.8	(0.4)	26.9	26.4	0.5
Transportation	3.7	3.5	0.2	14.9	14.7	0.2
Power generation and other	5.2	6.5	(1.3)	12.0	16.2	(4.2)
Cost of gas sold, per Dth	\$ 3.15	\$ 2.42	\$ 0.73	\$ 2.95	\$ 2.76	\$ 0.19
Heating degree days	560	627	(67)	5,013	5,006	7

Three Months Ended June 30, 2021 as Compared with 2020

The increase in earnings of \$0.7 million was primarily the result of:

- Higher margin in retail and transport classes, and increased miscellaneous revenues, including late payment charges and collection fees; and
- Decreased interest expense driven by a lower amount of debt outstanding; **offset by**
- Increased operating expenses primarily due to line locate expenses and shared services expense allocations.

Nine Months Ended June 30, 2021 as Compared with 2020

The increase in earnings of \$4.7 million was primarily the result of:

- Higher margin primarily attributable to increased retail sales and miscellaneous revenues, including late payment charges and collection fees; and
- Decreased interest expense driven by a lower amount of debt outstanding.

STEAM

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2021	2020	Change	2021	2020	Change
Operating revenues	\$ 14.4	\$ 14.0	\$ 0.4	\$ 52.3	\$ 51.0	\$ 1.3
Cost of goods sold	7.8	7.1	0.7	27.1	25.4	1.7
Margin	6.6	6.9	(0.3)	25.2	25.6	(0.4)
Other operating expenses	6.4	5.7	0.7	19.0	19.0	-
Operating income (loss)	0.2	1.2	(1.0)	6.2	6.6	(0.4)
Other income (expense), net	-	(0.1)	0.1	(0.1)	(0.1)	-
Interest charges	0.6	0.7	(0.1)	1.9	2.0	(0.1)
Segment income (loss)	\$ (0.4)	\$ 0.4	\$ (0.8)	\$ 4.2	\$ 4.5	\$ (0.3)
Volume sales, million therms	12.4	12.4	-	43.6	43.0	0.6
Heating degree days	560	627	(67)	5,013	5,006	7

Three Months Ended June 30, 2021 as Compared with 2020

The decrease in earnings of \$0.8 million was primarily driven by increased plant maintenance expenses.

Nine Months Ended June 30, 2021 as Compared with 2020

The decrease in earnings of \$0.3 million is primarily due to the effect of general load decreases which were only partially offset by a load increase in demand rate service.

CHILLED WATER

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2021	2020	Change	2021	2020	Change
Operating revenues	\$ 9.9	\$ 9.0	\$ 0.9	\$ 20.2	\$ 19.3	\$ 0.9
Cost of goods sold	2.9	2.8	0.1	6.1	6.2	(0.1)
Margin	7.0	6.2	0.8	14.1	13.1	1.0
Other operating expenses	4.3	3.8	0.5	12.3	11.0	1.3
Operating income (loss)	2.7	2.4	0.3	1.8	2.1	(0.3)
Other income (expense), net	-	-	-	-	0.1	(0.1)
Interest charges	0.2	0.2	-	0.5	0.6	(0.1)
Segment income (loss)	\$ 2.5	\$ 2.2	\$ 0.3	\$ 1.3	\$ 1.6	\$ (0.3)
Volume sales, million ton hours	36.3	31.5	4.8	62.6	59.7	2.9
Cooling degree days	376	352	24	399	389	10

Three Months Ended June 30, 2021 as Compared with 2020

The increase in earnings of \$0.3 million was primarily due to additional volume sold, partially offset by increased insurance costs.

Nine Months Ended June 30, 2021 as Compared with 2020

A volume-driven \$1.0 million increase in margin was offset by \$1.3 million of higher operating expenses, which were largely the result of increased plant maintenance, employee health care expenses, and insurance costs.

WATER

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2021	2020	Change	2021	2020	Change
Operating revenues	\$ 50.3	\$ 50.9	\$ (0.6)	\$ 145.8	\$ 146.6	\$ (0.8)
Other operating expenses	29.8	28.8	1.0	88.8	87.5	1.3
Operating income (loss)	20.5	22.1	(1.6)	57.0	59.1	(2.1)
Other income (expense), net	0.9	0.4	0.5	2.0	1.8	0.2
Interest charges	8.5	9.0	(0.5)	25.6	27.3	(1.7)
Segment income (loss)	\$ 12.9	\$ 13.5	\$ (0.6)	\$ 33.4	\$ 33.6	\$ (0.2)
Volume sales, billion gallons	9.3	9.3	-	26.4	26.4	-
Precipitation, inches	14.9	13.3	1.6	33.6	37.3	(3.7)

Three Months Ended June 30, 2021 as Compared with 2020

The decrease in earnings of \$0.6 million was primarily the result of:

- Slightly lower revenues overall, the result of a \$1.9 million decrease in residential class, offset by a \$1.2 million increase in commercial class, largely attributable to the easing of pandemic-related restrictions in the current period; and
- Higher operating expenses of \$1.0 million primarily due to shared services expense allocations, electric power, and property taxes; these were offset by higher other income and lower interest charges.

Nine Months Ended June 30, 2021 as Compared with 2020

The decrease in earnings of \$0.2 million was primarily the result of:

- Slightly lower revenues overall, mostly due to lower sales in residential and commercial classes.
- Higher operating expenses of \$1.3 million largely due to shared services expense allocations, labor and benefit costs, and property taxes, net of a \$1.5 million gain on the sale of land in Q2 2021; **offset by**
- \$1.7 million lower interest charges, largely driven by a lower amount of debt outstanding.

WASTEWATER

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2021	2020	Change	2021	2020	Change
Operating revenues	\$ 78.6	\$ 73.4	\$ 5.2	\$ 235.4	\$ 226.6	\$ 8.8
Other operating expenses	43.2	40.6	2.6	124.3	123.6	0.7
Operating income (loss)	35.4	32.8	2.6	111.1	103.0	8.1
Other income (expense), net	-	0.1	(0.1)	0.2	1.5	(1.3)
Interest charges	16.0	16.6	(0.6)	48.2	51.1	(2.9)
Segment income (loss)	\$ 19.4	\$ 16.3	\$ 3.1	\$ 63.1	\$ 53.4	\$ 9.7
Treatment volume sales, billion gallons	8.2	8.8	(0.6)	23.6	25.1	(1.5)
Strength surcharge, million pounds	14.0	14.2	(0.2)	43.2	45.9	(2.7)

Three Months Ended June 30, 2021 as Compared with 2020

The increase in earnings of \$3.1 million was primarily the result of:

- The effect of a step 2 rate increase implemented on September 28, 2020 coupled with increased commercial and industrial treatment volume, net of decreased satellite and residential volume, resulted in a net revenue increase of \$5.2 million; and
- Reduced interest expense largely due to higher capitalized interest; **offset by**
- Increased operating expenses of \$2.6 million primarily due to contract services, electric power, bad debt, and depreciation.

Nine Months Ended June 30, 2021 as Compared with 2020

The increase in earnings of \$9.7 million was primarily the result of:

- An \$8.8 million net increase in revenues, primarily due to the effect of a step 2 rate increase implemented on September 28, 2020; and
- \$2.9 million lower interest charges, largely resulting from higher capitalized interest; **offset by**
- Reduced interest income; and
- Increased operating expenses of \$0.7 million, the net of various increases and decreases, none of which are individually significant.

RESOURCES

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2021	2020	Change	2021	2020	Change
Operating revenues	\$ 8.9	\$ 8.5	\$ 0.4	\$ 27.7	\$ 26.0	\$ 1.7
Cost of goods sold	0.3	0.2	0.1	1.6	1.3	0.3
Margin	8.6	8.3	0.3	26.1	24.7	1.4
Other operating expenses	5.3	5.2	0.1	16.4	15.7	0.7
Operating income (loss)	3.3	3.1	0.2	9.7	9.0	0.7
Other income (expense), net	0.1	-	0.1	0.2	0.2	-
Equity in earnings (loss) of affiliates	-	-	-	-	2.3	(2.3)
Interest charges	0.5	0.6	(0.1)	1.6	1.7	(0.1)
Segment income (loss)	\$ 2.9	\$ 2.5	\$ 0.4	\$ 8.3	\$ 9.8	\$ (1.5)

Three Months Ended June 30, 2021 as Compared with 2020

The increase in earnings of \$0.4 million was primarily the result of increased revenues for each of the Westfield utilities due to growth.

Nine Months Ended June 30, 2021 as Compared with 2020

The decrease in earnings of \$1.5 million was primarily the result of the following:

- Prior year income from the sale of ProLiance assets; and
- Increased operating expenses primarily due to shared services expense allocations and depreciation; **offset by**
- Increased revenues for each of the Westfield utilities due to growth.

OTHER

	Quarter-to-Date vs. Prior Year			Year-to-Date vs. Prior Year		
	Three Months Ended Jun 30			Nine Months Ended Jun 30		
	2021	2020	Change	2021	2020	Change
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses	0.1	-	0.1	0.1	-	0.1
Operating income (loss)	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Other income (expense), net	(0.5)	(0.3)	(0.2)	(1.4)	(1.2)	(0.2)
Interest charges	-	-	-	-	0.2	(0.2)
Income (loss) from discontinued operations	(0.1)	(0.2)	0.1	(0.3)	(0.6)	0.3
Segment income (loss)	\$ (0.7)	\$ (0.5)	\$ (0.2)	\$ (1.8)	\$ (2.0)	\$ 0.2

In the table above, Other includes advertising and philanthropic costs which are not recoverable through rates and are funded by contributions from non-regulated segments. The former Manufacturing business segment has been reported as Discontinued Operations and is also included in Other.

LIQUIDITY AND CAPITAL RESOURCES

Debt and Liquidity

Please see Notes 3 and 4 to the condensed combined financial statements for information regarding changes to Citizens' and CWA's outstanding long-term debt and short-term borrowings, respectively. Management believes that existing sources of liquidity are sufficient to meet its cash requirements for the foreseeable future. However, as the impacts of the COVID-19 pandemic on the economy, the financial markets, and Citizens' and CWA's operations evolve, Management will continue to assess liquidity needs and monitor capital markets and other financing sources. Though not currently anticipated, no assurances can be provided that Citizens and CWA will be able to access financing in the future on acceptable terms.

Capital Spending

For the nine months ended June 30, 2021, capital expenditures, on an accrual basis, decreased by \$10.8 million to \$222.9 million from \$233.7 million during the same period last year. This decrease is summarized in the table below (in millions). Certain accrued expenditures, including all capitalized interest, have been included in Other for segment presentation of Capital Expenditures, while the capitalized interest amounts on the segmented statements of financial position are reflected as Property, Plant, and Equipment in their respective segments.

Year To Date	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
June 30, 2021	\$ 20.5	\$ 2.6	\$ 3.1	\$ 39.7	\$ 126.0	\$ 8.5	\$ 22.5	\$ 222.9
June 30, 2020	22.4	1.5	3.8	53.9	116.5	9.3	26.3	233.7
	\$ (1.9)	\$ 1.1	\$ (0.7)	\$ (14.2)	\$ 9.5	\$ (0.8)	\$ (3.8)	\$ (10.8)

Citizens' and CWA's projected capital spending requirement of \$348.0 million for 2021 is summarized as follows (in millions):

	Gas	Steam	Chilled Water	Water	Wastewater	Resources	Other	Total
2021 Projection	\$ 29.4	\$ 5.2	\$ 3.9	\$ 64.5	\$ 196.0	\$ 15.7	\$ 33.3	\$ 348.0

Gas continues to invest in mains and services to maintain its commitment to modernization of its underground gas distribution system. Gas had cash and cash equivalents of \$82.5 million at June 30, 2021. Gas expects to meet its capital spending requirements in 2021 through cash flows from operations.

Citizens Thermal's Steam business segment continues to invest in distribution assets and production equipment. Chilled Water capital spending plans similarly include investments in distribution assets and production equipment. At June 30, 2021, cash and cash equivalents of Steam and Chilled Water amounted to \$6.2 million and \$18.6 million, respectively. Steam expects to meet its capital spending requirements in 2021 through cash flows from operations and temporary seasonal borrowings while Chilled Water expects to meet its 2021 capital spending requirements through cash flows from operations.

The Water business segment has a capital improvement plan to address system reliability, maintain compliance with regulations, and implement various distribution system and treatment plant improvements. Water had cash and cash equivalents of \$47.0 million at June 30, 2021, including \$26.5 million in the construction fund. Water expects to meet its capital spending requirements in 2021 through amounts from the construction fund and cash flows from operations (See Note 3 – Long-Term Debt).

The Wastewater business segment has a capital improvement plan to meet guidelines of the Combined Sewer Overflow Long-Term Control Plan and the overall needs of the Wastewater System. See Note 11 to the condensed combined financial statements for additional information regarding the Combined Sewer Overflow Long-Term Control Plan. The capital improvement plan also includes other improvements to and expansion of the Wastewater System. Wastewater had cash and cash equivalents of \$90.7 million including \$68.6 million in the construction fund at June 30, 2021. In addition, CWA had \$9.9 million of State Revolving Fund proceeds available to fund specified consent decree capital projects. Wastewater expects to meet its capital spending requirements in 2021 through a combination of cash flows from operations, amounts from the construction fund, and amounts from the State Revolving Fund proceeds. See Note 10 – Wastewater, to the condensed combined financial statements, for a discussion of regulatory matters affecting the liquidity and capital resources of the Wastewater business segment.

Resources' capital spending projection for 2021 includes activities at Citizens South Madison, Westfield Gas, Westfield Water, and Westfield Wastewater. Resources expects to meet its capital spending requirements in 2021 through a combination of cash flows from operations, its lines of credit, and available funds from the Series 2019A bond issuance for Westfield Wastewater.

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Financial Position (Unaudited)

(In Thousands)

	At June 30, 2021	At September 30, 2020
ASSETS		
Property, plant, and equipment, net	\$ 4,247,540	\$ 4,086,342
Intangible assets, net	51,415	54,192
Investments		
Bond restricted funds	269,568	302,395
Other	24,170	26,185
Total investments	293,738	328,580
Current assets		
Cash and cash equivalents	287,564	274,921
Accounts receivable, less allowance for doubtful accounts of \$8,231 and \$5,602, respectively	81,334	85,120
Accrued utility revenue	26,744	24,234
Natural gas in storage	21,701	30,459
Materials and supplies	12,163	12,108
Other current assets	8,518	4,070
Current assets directly related to discontinued operations	865	1,076
Total current assets	438,889	431,988
Deferred charges and other non-current assets	33,185	32,394
TOTAL ASSETS	\$ 5,064,767	\$ 4,933,496
CAPITALIZATION AND LIABILITIES		
Capitalization and non-current liabilities		
Retained earnings	\$ 971,416	\$ 810,393
Accumulated other comprehensive loss	(162,798)	(171,848)
Long-term debt (excluding current maturities)	3,346,158	3,339,747
Retirement benefits	188,326	204,254
Contributions in aid of construction	347,846	312,029
Other long-term liabilities	42,070	35,464
Non-current liabilities directly related to discontinued operations	22,031	23,339
Total capitalization and non-current liabilities	4,755,049	4,553,378
Current liabilities		
Current maturities of long-term debt	70,282	100,028
Short-term borrowings	2,500	1,000
Accounts payable and accrued expenses	151,384	182,414
Accrued taxes	55,879	69,301
Customer deposits	11,620	17,560
Other current liabilities	17,963	9,575
Current liabilities directly related to discontinued operations	90	240
Total current liabilities	309,718	380,118
Commitments and contingencies (see note 11)		
TOTAL CAPITALIZATION AND LIABILITIES	\$ 5,064,767	\$ 4,933,496

The accompanying notes are an integral part of these condensed combined financial statements.

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Operations and Comprehensive Income (Unaudited)

(In Thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Operating revenues	\$ 197,451	\$ 189,059	\$ 678,324	\$ 661,426
Operating expenses				
Cost of goods sold	19,811	18,074	106,575	101,882
Operations and maintenance	66,442	61,575	194,149	190,713
Depreciation and amortization	30,260	29,339	90,462	88,551
Gain on sale of assets	-	-	(1,502)	-
Taxes	14,984	14,246	45,589	44,752
Total operating expenses	131,497	123,234	435,273	425,898
Operating income	65,954	65,825	243,051	235,528
Other income (expense), net				
Interest income	476	769	1,122	3,909
Non-operating post-employment benefits, net	135	(503)	404	(1,479)
Other	(224)	(386)	(1,090)	(1,486)
Total other income, net	387	(120)	436	944
Income before equity in earnings of affiliates and interest charges	66,341	65,705	243,487	236,472
Equity in earnings of affiliates	-	4	-	2,333
Interest charges				
Interest on long-term debt	37,380	37,561	112,293	112,655
Other interest, including net premium amortization	(10,145)	(8,182)	(30,112)	(23,045)
Total interest charges	27,235	29,379	82,181	89,610
Income from continuing operations	39,106	36,330	161,306	149,195
Loss from discontinued operations	(43)	(201)	(283)	(543)
Net income	\$ 39,063	\$ 36,129	\$ 161,023	\$ 148,652
Retirement benefit liability changes:				
Amortization of prior service credit	(534)	(533)	(1,603)	(2,464)
Amortization of loss	3,326	2,877	9,979	8,629
Total retirement benefit liability changes	2,792	2,344	8,376	6,165
Unrealized gain (loss) on available-for-sale investments	136	1,000	674	157
Total other comprehensive income	2,928	3,344	9,050	6,322
Total comprehensive income	\$ 41,991	\$ 39,473	\$ 170,073	\$ 154,974

The accompanying notes are an integral part of these condensed combined financial statements.

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Cash Flows (Unaudited)

(In Thousands)

	Nine Months Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 161,023	\$ 148,652
Depreciation and amortization	78,359	78,866
Gain on sale of assets	(1,502)	-
Equity in earnings of affiliates, net of distributions	-	(2,333)
Allowance for doubtful accounts	4,924	4,481
Changes in operating assets and liabilities:		
Accounts receivable and accrued utility revenue	(3,649)	(428)
Natural gas in storage	8,758	6,199
Accounts payable and accrued expenses	(39,424)	(44,745)
Retirement benefits	(7,552)	(3,545)
Other operating activities	362	(1,861)
Change in net liabilities of discontinued operations	(1,249)	(948)
Net cash provided by operating activities	<u>200,050</u>	<u>184,338</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures	(228,127)	(245,030)
Proceeds from asset sale, net of expenses	1,562	-
Other investing activities	2,633	18,433
Net cash used in investing activities	<u>(223,932)</u>	<u>(226,597)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank line of credit	6,500	-
Repayment of short-term borrowings and bank line of credit	(2,000)	(80,000)
Principal payments of long-term debt and bond refunding	(177,306)	(75,930)
Proceeds from issuance of long-term debt and bond refunding	167,363	231,219
Bond issuance costs	(1,072)	(609)
Contributions in aid of construction	10,306	9,578
Other financing activities	(145)	(296)
Net cash provided by financing activities	<u>3,646</u>	<u>83,962</u>
Net change in cash, cash equivalents, and restricted cash	(20,236)	41,703
Cash, cash equivalents, and restricted cash at beginning of period	568,738	477,839
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 548,502</u>	<u>\$ 519,542</u>
Supplemental Cash Flows Information - Interest paid net of amounts capitalized	<u>\$ 112,843</u>	<u>\$ 122,721</u>
Non-cash Investing and Operating Activities		
Construction work-in-progress accrued at end of period	<u>\$ 44,787</u>	<u>\$ 50,381</u>
The table below provides a reconciliation of cash, cash equivalents, and restricted cash as reported in the Condensed Combined Statements of Financial Position to the amount reported in the Condensed Combined Statements of Cash Flows:		
Cash and cash equivalents	\$ 287,564	\$ 239,444
Restricted cash included in Bond restricted funds	256,556	275,684
Restricted cash included in Investments, Other	4,382	4,414
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 548,502</u>	<u>\$ 519,542</u>

The accompanying notes are an integral part of these condensed combined financial statements.

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

Condensed Combined Statements of Equity (Unaudited)

(In Thousands)

	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at September 30, 2019	\$ 625,845	\$ (144,502)	\$ 481,343
Comprehensive income			
Net income	148,652	-	148,652
Unrealized gain (loss) on available-for-sale investments	-	157	157
Retirement benefit liability changes	-	6,165	6,165
Total comprehensive income	148,652	6,322	154,974
Customer benefit distributions	-	-	-
Balance at June 30, 2020	\$ 774,497	\$ (138,180)	\$ 636,317
Balance at September 30, 2020	\$ 810,393	\$ (171,848)	\$ 638,545
Comprehensive income			
Net income	161,023	-	161,023
Unrealized gain (loss) on available-for-sale investments	-	674	674
Retirement benefit liability changes	-	8,376	8,376
Total comprehensive income	161,023	9,050	170,073
Customer benefit distributions	-	-	-
Balance at June 30, 2021	\$ 971,416	\$ (162,798)	\$ 808,618

The accompanying notes are an integral part of these condensed combined financial statements.

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

Citizens Energy Group and Subsidiary and CWA Authority, Inc.

1. NATURE OF OPERATIONS AND PRESENTATION**A. Nature of Operations**

Operations of Citizens Energy Group and Subsidiary (Citizens or the Company) include activities in five business segments: Gas, Steam, Chilled Water, Water, and Resources. Steam and Chilled Water comprise the Thermal Energy System (Citizens Thermal or Thermal). Operations of CWA Authority, Inc. (CWA) include activities for the Wastewater business segment. Resources includes several wholly-owned subsidiaries, the most significant of which is Citizens Energy Services Corporation, LLC (CESCO) which serves as a holding company for several subsidiaries, including Citizens Westfield Utilities, LLC (CWU). The rates and charges for gas, steam, water, and wastewater services are regulated by the Indiana Utility Regulatory Commission (IURC).

CWU serves as a holding company for the gas, water, and wastewater utilities for the Westfield service area, which includes Westfield Gas, LLC (Westfield Gas), Citizens Water of Westfield, LLC (Westfield Water), and Citizens Wastewater of Westfield, LLC (Westfield Wastewater), all of which operate as regulated investor-owned utilities.

B. Basis of Presentation

The accompanying condensed combined interim financial statements are unaudited and should be read in conjunction with the combined annual financial statements, and the notes thereto, included in the Citizens Energy Group Management Discussion and Financial Report for the year ended September 30, 2020. Because of the seasonal nature of the various business segments, the results of operations for the period ended June 30, 2021 are not necessarily indicative of the results of operations to be expected for the full fiscal year.

The accompanying financial statements reflect the combined operations of commonly controlled entities, including Citizens, CWA, and certain non-profit instrumentalities. The accounting records conform to the accounting standards prescribed by the Federal Energy Regulatory Commission, National Association of Regulatory Utility Commissioners and accounting principles generally accepted in the United States of America (GAAP). The effects of all intercompany transactions have been eliminated.

C. COVID-19

The outbreak of COVID-19 has been declared a pandemic by the World Health Organization, a national emergency by the President of the United States and continues to spread in the United States. Effects from the COVID-19 pandemic began at the end of the second quarter of fiscal 2020 and were not material to the results for the three-months and nine-months ended June 30, 2021.

On March 6, 2020, Indiana Governor Eric Holcomb issued Executive Order 20-02 declaring a public health disaster emergency in Indiana attributable to COVID-19. To address the social and economic impacts of COVID-19, Governor Holcomb has issued several other executive orders, including Executive Orders 20-05 and 20-33 on March 19, 2020 and June 30, 2020, respectively. Executive Order 20-05 provided that providers of gas and electric utilities, broadband, telecommunication, water, and wastewater services were prohibited from discontinuing service to any customer in the State, because these services are essential to Indiana residents and businesses, particularly during this state of public health emergency. Executive Order 20-33 extended the prohibition on utility disconnections until August 14, 2020 pursuant to an order issued by the IURC. On August 12, 2020, the IURC issued an order directing that the disconnect moratorium prohibiting disconnections would not be extended beyond August 14, 2020.

The full extent of COVID-19's impact on our operations and financial performance depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, its impact on capital and financial markets, the financial losses incurred by our customers and business partners, and any new information which may emerge concerning the severity of the virus, its spread, as well as the actions taken to contain it, among others. While the Company has not been materially impacted by COVID-19 to date, the extent of the outbreak and its future impact on the Company's financial position, results of operations and cash flows is uncertain and cannot be reasonably estimated at this time. See Note 5, Revenue Recognition, and Note 10, Rate and Regulatory Matters, for information on COVID-19.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Use of Estimates**

The preparation of the combined financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the combined financial statements and the accompanying notes. Key

estimates include the recoverability of regulatory assets; fair value estimates; asset lives used in computing depreciation and amortization; asset retirement obligations; other reserves and accruals; and the estimated impact of contingencies and ongoing litigation. While management believes that its estimates are reasonable when considered in conjunction with the Company's combined financial position and results of operations, actual results could differ materially from those estimates.

B. Derivatives and Hedging

In fiscal years 2021 and 2020, Citizens entered into certain derivative and economic hedging transactions with the objective of decreasing the volatility associated with fluctuating natural gas prices. Through a combination of fixed-price purchases, caps, collars and storage, Citizens mitigates the risk of price volatility on approximately 80 percent of its anticipated system supply gas purchases. Citizens' Hedging Transaction Cost Policy sets guidelines for using selected financial derivative products to support prudent risk management strategies within designated parameters. These instruments, in conjunction with physical gas supply contracts, are designated to cover estimated gas customer requirements. Such energy contracts, to the extent they are not considered "normal" as defined by Financial Accounting Standards Board (FASB) guidance, are recognized at fair value as derivative assets or liabilities on the Condensed Combined Statements of Financial Position. Gains/losses and fees associated with these derivatives, when realized, are recoverable through the Gas and Fuel Cost Adjustment trackers. Accordingly, the offset to the change in fair value of these derivatives is recorded as a regulatory asset or liability. The impact of commodity contracts was not material to the condensed combined financial statements in any of the periods presented.

C. Fair Value Measurements

Financial Accounting Standards Board (FASB) guidance requires additional disclosures about Citizens' and CWA's financial assets and liabilities which are measured at fair value. Assets and liabilities recorded at fair value in the Condensed Combined Statements of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their value. Hierarchical levels, as defined in FASB guidance and explained in the following paragraphs, are directly related to the amount of subjectivity associated with the inputs to fair valuations of these assets and liabilities:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at Level 1 fair value generally are financial derivatives, investments and equity securities listed in active markets. The fair values of the bond restricted funds, Grantor Trust investments, and commodity contracts have been determined using quoted prices in an active market.

Level 2—Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. Fair value assets and liabilities that are generally included in this category are derivatives with fair values based on inputs from actively quoted markets.

Level 3—Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the financial assets measured at fair value on a recurring basis, based on the hierarchy, as of June 30, 2021 and September 30, 2020 (in thousands). There were no financial liabilities at June 30, 2021 and September 30, 2020.

<u>Description</u>	June 30, 2021 Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	\$ 32,874	\$ -	\$ -
Bond restricted funds	256,556	-	-
Grantor Trust investments	17,440	-	-
Derivative assets	4,965	-	-
Total financial assets measured at fair value	<u>\$ 311,835</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Description</u>	September 30, 2020 Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Cash equivalents	\$ 53,633	\$ -	\$ -
Bond restricted funds	289,383	-	-
Grantor Trust investments	16,503	-	-
Derivative assets	822	-	-
Total financial assets measured at fair value	<u>\$ 360,341</u>	<u>\$ -</u>	<u>\$ -</u>

Under the terms of various trust indentures, Citizens and CWA are required to maintain bond restricted funds. These bond restricted funds are invested in short-term securities, commercial paper, a guaranteed investment contract, and cash equivalents. Due to the nature of these investments, cost approximates fair market value of \$269.6 and \$302.4 million at June 30, 2021 and September 30, 2020, respectively. In accordance with fair value disclosure guidance, \$13.0 million of investments in a guaranteed investment contract are excluded in determining the fair value of bond restricted funds pursuant to ASC 825-10-50-8c at June 30, 2021 and September 30, 2020.

Included in bond restricted funds are the following proceeds which are held by the Indiana Finance Authority (IFA) until certain conditions for disbursement are met (in thousands):

	2021	2020
CWA First Lien State Revolving Fund Bonds, Series 2019 B	\$ -	\$ 14,384
CWA First Lien State Revolving Fund Bonds, Series 2020 B	9,925	-

Such funds are invested in money market funds together with additional amounts committed to other participants in the IFA's Wastewater Revolving Loan Program due to the rapid disbursement of such proceeds by the IFA to such participants. Gross deposits to the bond restricted fund investments during the first nine months of fiscal years 2021 and 2020 were \$258.1 million and \$302.2 million, respectively.

The Grantor Trust investments are a variety of debt and equity mutual funds invested per the investment policy of the Grantor Trust.

Gains/losses and fees associated with the commodity-based derivatives, when realized, are recoverable through the Gas and Fuel Cost Adjustment trackers. There were no transfers between levels during the year.

Management has estimated the fair value of the outstanding debt securities based on the coupons of the outstanding bonds and the current market yields. These are Level 2 fair value measurements. Management established the corresponding price to the call date as well as the price to maturity. The fair value was determined based on the lower of these two prices. Using this method, the estimated fair value of debt is \$3.5 billion at June 30, 2021 and September 30, 2020, versus the carrying value of \$3.4 billion at June 30, 2021 and September 30, 2020. In the case of Resources debt, the carrying value approximates fair value.

Customers' advances for construction have a carrying value at June 30, 2021 for Water, Wastewater, and Resources of \$13.5 million, \$5.9 million, and \$11.3 million, respectively, versus the carrying values at September 30, 2020 for Water, Wastewater, and Resources of \$12.1 million, \$4.9 million, and \$9.5 million, respectively. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels, and future rate increases. Portions of these non-interest-bearing instruments are payable annually through 2031 and amounts not paid by the respective contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest-bearing feature.

D. Comprehensive Income (Loss)

Comprehensive income (loss) is primarily a measure of all changes in equity of an enterprise which result from the transactions or other economic events during the period. This information is reported in the Combined Statements of Comprehensive Income. Citizens' components of accumulated other comprehensive (loss) income (AOCI) include the impact of pension and other post-employment benefits and mark to market valuation adjustments for available-for-sale investments. The following table presents changes in accumulated other comprehensive (loss) income by component for the nine months ended June 30, 2021 (in thousands):

	Pension Plan	Other Postemployment Benefits	Other	Total
Accumulated other comprehensive (loss) income at September 30, 2020	\$ (175,727)	\$ 3,534	\$ 345	\$ (171,848)
Amounts reclassified from accumulated other comprehensive income (loss)	9,773	(1,397)	674	9,050
Net current-period other comprehensive income (loss)	9,773	(1,397)	674	9,050
Accumulated other comprehensive (loss) income at June 30, 2021	\$ (165,954)	\$ 2,137	\$ 1,019	\$ (162,798)

3. LONG-TERM DEBT

Long-term debt consisted of the following (due dates are presented on a calendar-year basis):

	(In Thousands)					
	June 30, 2021			September 30, 2020		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
<u>Gas</u>						
Gas Utility Distribution System Series 2008C, Second Lien Revenue Refunding Bonds, 5.25%, due 2021	\$ -	\$ -	\$ -	\$ -	\$ 11,550	\$ 77
Gas Utility Distribution System Series 2013A, Second Lien Revenue Refunding Bonds, 4.125% to 5.250%, due 2027 to 2030	54,465	-	970	54,465	-	1,046
Gas Utility Distribution System Series 2017A, Second Lien Revenue Refunding Bonds 5.00%, due 2025 to 2027	49,825	-	5,333	49,825	-	6,056
Gas Utility Distribution System Series 2020A Second Lien Revenue Refunding Bonds 5.00%, due 2021 to 2024	48,530	3,890	4,522	48,530	3,890	6,223
Subtotal Gas Long-Term Debt	152,820	3,890	10,825	152,820	15,440	13,402
<u>Thermal</u>						
Thermal Energy System Series 2010A, First Lien Revenue Refunding Bonds, 4.00%, due 2020	-	-	-	-	530	-

	(In Thousands)					
	June 30, 2021			September 30, 2020		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
Thermal Energy System Series 2010B, First Lien Revenue Refunding Bonds, 5.00%, due 2021	-	5,500	29	5,500	8,810	114
Thermal Energy System Series 2013A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2021 to 2033	6,010	370	29	6,380	355	36
Thermal Energy System Series 2014A, First Lien Revenue Refunding Bonds, 4.00% to 5.00%, due 2021 to 2034	26,695	1,435	2,038	28,130	1,365	2,233
Thermal Energy System Series 2016A, First Lien Revenue Refunding Bonds, 5.00%, due 2021 to 2029	46,335	4,075	3,853	50,410	-	4,859
Subtotal Thermal Long-Term Debt	79,040	11,380	5,949	90,420	11,060	7,242
Water						
Water Utility Series 2011C (ILPIBB 2006A) *, First Lien Net Revenue Bonds, 5.50%, due 2021 to 2022	-	15,595	(10)	7,795	16,585	(15)
Water Utility Series 2011D (ILPIBB 2007B) *, First Lien Net Revenue Bonds, 5.25%, due 2022 to 2025	67,345	3,065	(45)	70,410	-	(43)
Water Utility Series 2011G (ILPIBB 2011E) *, First Lien Net Revenue Bonds, 4.50% to 5.125%, due 2021 to 2041	-	-	-	47,550	1,380	(30)
Water Utility Series 2014A, First Lien Net Revenue Bonds, 4.00% to 5.00%, due 2021 to 2044	23,565	580	1,351	24,145	555	1,391
Water Utility Series 2014B, Second Lien Revenue Refunding Bonds, 2.95%, due 2022	-	-	-	43,595	-	(84)
Water Utility Series 2016A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2021 to 2046	63,110	1,270	10,790	64,380	1,225	11,205
Water Utility Series 2016B, First Lien Refunding Revenue Bonds, 4.00% to 5.00%, due 2021 to 2038	200,690	4,265	27,680	204,955	6,090	29,489
Water Utility Series 2018A, First Lien Refunding Revenue Bonds, 3.50% to 5.00%, due 2021 to 2038	354,475	2,285	42,283	356,760	2,410	44,683

	(In Thousands)					
	June 30, 2021			September 30, 2020		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
Water Utility Series 2021A First Lien Revenue Bonds 3.00% to 5.00%, due 2021 to 2051	78,640	200	17,111	-	-	-
Subtotal Water Long-Term Debt	787,825	27,260	99,160	819,590	28,245	86,596
<u>Wastewater</u>						
CWA Wastewater Utility Series 2011A, First Lien Revenue Bonds, 5.00% to 5.25%, due 2021 to 2041	571,735	**	22,974	571,735	14,865	24,169
CWA Wastewater Utility Series 2011B, Second Lien Revenue Bonds, 5.00% to 5.25%, due 2021 to 2041	231,185	**	3,432	231,185	6,060	3,649
CWA Wastewater Utility Series 2012A, First Lien Revenue Bonds, 2.75% to 5.00%, due 2021 to 2042	161,820	4,440	11,992	166,260	4,225	12,681
CWA Wastewater Utility Series 2014A, First Lien Revenue Bonds, 4.25% to 5.00%, due 2021 to 2044	207,780	4,785	16,145	212,565	4,555	16,887
CWA Wastewater Utility Series 2015A, First Lien Revenue Bonds, 3.25% to 5.00%, due 2021 to 2045	142,175	3,105	18,060	145,280	2,960	18,793
CWA Wastewater Utility Series 2016A, First Lien Revenue Bonds 4.00% to 5.00%, due 2021 to 2046	177,540	3,385	32,344	180,925	3,255	33,565
CWA Wastewater Utility Series 2016B, Second Lien Revenue Refunding Bonds, 3.00% to 5.00%, due 2021 to 2046	39,325	900	1,730	40,225	875	1,873
CWA Wastewater Series 2016C, First Lien Revenue Bonds (SRF), 2.00%, due 2021 to 2036	9,920	565	(62)	9,920	565	(69)
CWA Wastewater Series 2017A, First Lien Revenue Bonds (SRF), 3.53%, due 2021 to 2047	150,066	3,490	(66)	150,066	3,490	(69)
CWA Wastewater Series 2019A, First Lien Revenue Bonds, 4.00% to 5.00%, due 2021 to 2049	40,255	665	7,907	40,920	630	8,176

	(In Thousands)					
	June 30, 2021			September 30, 2020		
	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)	Long-term debt excl. current maturities	Current maturities	Unamortized (Discount), Premium, and (Issuance Costs)
CWA Wastewater Series 2019B, First Lien Revenue Bonds (SRF), 2.99%, due 2022 to 2050	172,934	3,917	(70)	176,851	3,803	(73)
CWA Wastewater Series 2020A First Lien Revenue Bonds 3.00% to 5.00% due 2021 to 2050	56,175	910	12,588	57,085	-	13,240
CWA Wastewater Series 2020B First Lien Revenue Bonds (SRF) 2.56%, due 2022 to 2051	68,885	1,590	(71)	-	-	-
Subtotal Wastewater Long-Term Debt	2,029,795	27,752	126,903	1,983,017	45,283	132,822
Resources						
Citizens Westfield Utilities Series 2018A, Refunding Revenue Bonds, 80% of 3-month LIBOR plus 1.90%, due 2023	9,000	-	(98)	9,000	-	(130)
Citizens Westfield Water Series 2019A, Revenue Bonds, 4.00%, due 2048	20,000	-	(74)	20,000	-	(76)
Citizens Westfield Wastewater Series 2019A, Revenue Bonds, 5.00%, due 2048	22,660	-	2,353	22,660	-	2,384
Subtotal Resources Long-Term Debt	51,660	-	2,181	51,660	-	2,178
Total Long-Term Debt	\$ 3,101,140	\$ 70,282	\$245,018	\$ 3,097,507	\$ 100,028	\$ 242,240

* Indianapolis Local Public Improvement Bond Bank (ILPIBB)

** Pursuant to ASC 470-10-45-14, current maturities for the CWA Wastewater Utility Series 2011A and 2011B bonds have been reclassified to long-term debt at June 30, 2021, due to the July 6, 2021 bond issuances described below.

Recent Debt Transaction Activity

On July 15, 2020, Citizens Gas issued \$52.4 million of Second Lien Refunding Revenue Bonds, Series 2020A. The bonds refunded all but the current portion of the Series 2010A bonds. The 2020A bonds were issued at a premium of \$7.1 million and have principal maturities due from 2021 through 2024 with 5.00% coupons.

On September 24, 2020, CWA issued \$57.1 million of First Lien Wastewater Utility Revenue Bonds, Series 2020A. The 2020A bonds were issued at a premium of \$13.6 million and have principal maturities from 2021 to 2050 with coupons ranging from 3.00% to 5.00%. The bonds were issued to fund capital improvements for the Wastewater system.

On October 5, 2020, CWA issued \$70.5 million of First Lien State Revolving Fund Bonds, Series 2020B. The 2020B bonds were issued at par and have principal maturities between 2022 and 2051 with coupons of 2.56%. The bonds were issued to fund specified consent decree capital projects for the Wastewater system (see Note 11).

On March 30, 2021, Citizens Water issued \$78.8 million of First Lien Water Utility Revenue Bonds, Series 2021A. The bonds were issued at a premium of \$18.0 million and have principal maturities from 2021 through 2051 with coupons ranging from 3.00% to 5.00%. The bonds were issued to fund capital improvements and refund the Series 2011G (ILPIBB 2011E) bonds.

On April 30, 2021 the Water Utility Series 2014B bonds were cash defeased.

On July 6, 2021 CWA issued \$458.3 million of First Lien Refunding Revenue Bonds, Series 2021-1. The Series 2021-1 bonds were issued at a premium of \$110.4 million and have principal maturities between 2021 and 2041 with coupons ranging from 3.00% to 5.00%. The bonds were issued to refund the Series 2011A First Lien Revenue Bonds.

On July 6, 2021 CWA issued \$182.9 million of Second Lien Refunding Revenue Bonds, Series 2021-2. The Series 2021-2 bonds were issued at a premium of \$47.3 million and have principal maturities between 2021 and 2041 with coupons ranging from 3.00% to 5.00%. The bonds were issued to refund the Series 2011B Second Lien Revenue Bonds.

4. SHORT-TERM AND OTHER BORROWINGS

Citizens Gas, Thermal, Water, and Wastewater have established lines of credit with terms and conditions as outlined in the table below:

Entity	Credit Capacity	Maturity Date	Interest Rate	Commitment Fee	(in millions)	
					June 30, 2021	September 30, 2020
Gas - Letter of Credit	\$50.0 million	May 30, 2022	Base + 1.00%	0.450%	\$ -	\$ -
Gas	25.0 million	August 5, 2022	LIBOR + 0.90%	0.100%	-	-
Gas	25.0 million	August 13, 2021	LIBOR + 1.25%	0.300%	-	-
Thermal	20.0 million	July 25, 2022	LIBOR + 1.125%	0.125%	-	-
Water	50.0 million	November 2, 2020	83% of LIBOR + 0.70%	0.150%	*	-
Water	25.0 million	November 18, 2022	82% of LIBOR + 1.31%	0.200%	-	**
Water	15.0 million	April 30, 2023	LIBOR + 1.50%	0.200%	-	**
Water	25.0 million	November 2, 2023	83% of LIBOR + 0.95%	0.250%	-	**
Wastewater	100.0 million	October 14, 2020	87.8% of LIBOR + 0.84%	0.220%	*	-
Wastewater	45.0 million	July 15, 2022	80% of LIBOR + 0.75%	0.275%	-	-
Wastewater	50.0 million	October 14, 2022	80% of LIBOR + 0.68%	0.220%	-	**

* Line of credit matured prior to June 30, 2021

** Line of credit initiated after September 30, 2020

On October 1, 2020, Wastewater closed on a reduction of the capital expenditure line of credit from \$100.0 million to \$50.0 million and extended the maturity date from October 14, 2020 to October 14, 2022. The line of credit is at an interest rate of 80% of LIBOR plus 0.68 percent and a commitment fee of 0.22 percent.

On November 18, 2020, Water closed on a \$25.0 million line of credit with a maturity date of November 18, 2022. The line of credit is at an interest rate of 82% of LIBOR plus 1.31 percent and a commitment fee of 0.20 percent.

On November 18, 2020, Water closed on a second, separate \$25.0 million line of credit with a maturity date of November 2, 2023. The line of credit is at an interest rate of 83% of LIBOR plus 0.95 percent and a commitment fee of 0.25 percent.

On April 30, 2021, Water closed on a \$15.0 million working capital line of credit with a maturity date of April 30, 2023. The line of credit is at an interest rate of one-month LIBOR plus 1.50 percent and a commitment fee of 0.20 percent.

Resources

Westfield Gas, Westfield Water, and Westfield Wastewater have established lines of credit with terms and conditions as outlined in the table below.

Entity	Credit Capacity	Maturity Date	Interest Rate	Commitment Fee	Amount Outstanding at (in millions)	
					June 30, 2021	September 30, 2020
Westfield Gas	\$4.0 million	March 30, 2021	LIBOR + 1.65%	0.150%	\$ *	\$ 1.0
Westfield Gas	4.0 million	March 30, 2024	LIBOR + 1.65%	0.250%	4.0	**
Westfield Water	5.0 million	March 14, 2022	LIBOR + 0.90%	0.100%	2.5	1.0
Westfield Wastewater	5.0 million	March 14, 2022	LIBOR + 0.90%	0.100%	-	-

* Line of credit matured prior to June 30, 2021

** Line of credit initiated after September 30, 2020

On March 30, 2021, Westfield Gas closed on a \$4.0 million line of credit with a maturity date of March 30, 2024. The line of credit is at an interest rate of LIBOR plus 1.65 percent and a commitment fee of 0.25 percent.

Outstanding borrowings with maturities of twelve months or less from the balance sheet date are presented as current liabilities in the Condensed Combined Statements of Financial Position in the line item labeled, "Short-term borrowings". Outstanding borrowings with maturities greater than twelve months from the balance sheet date are classified as non-current liabilities in the Condensed Combined Statements of Financial Position in the line item labeled, "Other long-term liabilities".

5. REVENUE RECOGNITION

Citizens recognizes revenue consistent with amounts billed under tariff offerings or at contractually agreed upon rates based on actual delivery of utility service, including estimated volumes delivered when billings have not yet occurred. The majority of the Company's revenues have fixed pricing based on the contractual terms of the published tariffs, with variability in expected cash flows attributable to the customer's volumetric demand during the billing period. Utility receipts taxes are recognized on a gross basis as part of revenues.

Performance obligations are satisfied over time as utility services are delivered and consumed with billings generally occurring monthly and related payments due within 30 days. Using this output method for revenue recognition provides a faithful depiction of the transfer of utility services as customers obtain control of the service provided and simultaneously benefit from its use at delivery.

Substantially all the Company's revenues result from tariff-based or fixed-price at-will contracts which either have an expected duration of one year or less, or, in the case of longer-term contracts, are based on a single performance obligation (the delivery of utility services) which will not have future performance obligations for disclosure.

Revenues from Contracts with Customers

Utility services for gas, steam, water, and wastewater are marketed throughout the Company's service territory using published tariff rates. The tariff rates are established by the IURC. Each tariff, which is assigned to customers based on customer class, has multiple components, such as a commodity charge, demand charge, facility or service charge and transportation costs. The Company considers each of these components to be aggregated into a single performance obligation for providing utility service which is satisfied over time and is provided and consumed over the billing period (generally one month). As such, revenue from contracts with customers for such contracts is equivalent to the service supplied and billed in that period, including unbilled estimates. Additionally, utility services are typically at-will and customers can cancel service at any time, without a substantive penalty. The Company maintains common utility credit risk mitigation practices, including requiring deposits and actively pursuing collection of past due amounts with the exception of the temporary suspension of shutoffs noted below. Contracts with chilled water customers are based on a fixed capacity charge and a variable usage charge, resulting in performance obligations similar to that of the regulated utilities.

Monthly billing dates for utility services provided to customers are depicted in the table below.

<u>Gas</u>	<u>Steam</u>	<u>Chilled Water</u>	<u>Water</u>	<u>Wastewater</u>	<u>Westfield Utilities</u>
Cycle basis throughout month	Billed at end of month	Billed at end of month	Cycle basis throughout month	Cycle basis throughout month	Billed near end of month

Unbilled revenues, if applicable, are recognized by applying customer billing rates to the estimated volumes delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of factors such as seasonality, weather, customer usage patterns, average price in effect per customer class, timing of rendering bills and meter reading schedules. The accrual for unbilled revenues is reversed in the subsequent accounting period when meters are read and customers are billed.

Revenues and, where applicable, costs are influenced by seasonal weather patterns, with peak sales for gas and steam occurring during the winter heating months, and during the summer months for chilled water and water. Revenues for wastewater are generally independent of seasonality. Residential and commercial customers are more impacted by weather than industrial customers. The Normal Temperature Adjustment (NTA) adjusts monthly billings to normalize Gas and Steam margin collected from certain customer classes during heating months.

Alternative Revenue Programs

Alternative Revenue Programs represent regulator-approved programs which allow for the adjustment of billings and revenue for certain broad, external factors such as normalization programs that adjust revenues for the effects of weather

or programs designed to compensate for fluctuations in consumer demand. Such programs typically enable the Company to adjust rates in the future, usually as a surcharge applied to future billings, in response to past activities or completed events. Alternative Revenue Programs represent a contract between the utility and its regulators, not customers, and are therefore not within the scope of the accounting guidance for recognizing revenue from contracts with customers. When the criteria to recognize revenues from Alternative Revenue Programs have been met in accordance with ASC 980-605-25, a regulatory asset is established and the revenue is presented as a component of operating revenues. When amounts previously recognized under Alternative Revenue Programs accounting guidance are billed, the regulatory asset is reduced and a customer account receivable is recorded.

Disaggregated Revenues

Revenue by customer class is most meaningful to the Company as each respective customer class collectively represents unique customer expectations of service, generally has different energy and demand requirements, and operates under custom pricing structures approved by the IURC. Additionally, each customer class is impacted differently by weather and a variety of economic factors. Analyzing revenues disaggregated by customer class allows management to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Disaggregated revenues are presented as follows (in thousands):

Three Months Ended June 30, 2021

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 25,216	\$ -	\$ -	\$ 29,230	\$ 38,052	\$ 5,355	\$ -	\$ 97,853
Commercial	8,720	8,294	9,813	16,817	24,785	1,417	(1,904)	67,942
Industrial	2,889	5,977	112	2,451	12,001	178	(301)	23,307
Other	745	87	-	1,832	3,746	1,939	-	8,349
Revenues - Contracts w/Customers	37,570	14,358	9,925	50,330	78,584	8,889	(2,205)	197,451
Alternative Revenue Programs	-	-	-	-	-	-	-	-
Gross Operating Revenues	\$ 37,570	\$ 14,358	\$ 9,925	\$ 50,330	\$ 78,584	\$ 8,889	\$ (2,205)	\$ 197,451

Three Months Ended June 30, 2020

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 23,805	\$ -	\$ -	\$ 31,135	\$ 37,696	\$ 5,239	\$ (13)	\$ 97,862
Commercial	7,952	8,096	8,896	15,772	20,543	1,229	(1,307)	61,181
Industrial	2,911	5,846	84	2,563	9,667	181	(331)	20,921
Other	189	94	-	1,472	5,096	1,837	-	8,688
Revenues - Contracts w/Customers	34,857	14,036	8,980	50,942	73,002	8,486	(1,651)	188,652
Alternative Revenue Programs	-	-	-	-	405	2	-	407
Gross Operating Revenues	\$ 34,857	\$ 14,036	\$ 8,980	\$ 50,942	\$ 73,407	\$ 8,488	\$ (1,651)	\$ 189,059

Nine Months Ended June 30, 2021

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 143,422	\$ -	\$ -	\$ 84,443	\$ 119,420	\$ 16,638	\$ -	\$ 363,923
Commercial	51,459	30,160	19,893	49,215	73,883	4,858	(7,661)	221,807
Industrial	8,745	21,741	283	7,179	31,988	474	(1,154)	69,256
Other	2,132	441	-	4,972	10,076	5,646	-	23,267
Revenues - Contracts w/Customers	205,758	52,342	20,176	145,809	235,367	27,616	(8,815)	678,253
Alternative Revenue Programs	-	-	-	-	-	71	-	71
Gross Operating Revenues	\$ 205,758	\$ 52,342	\$ 20,176	\$ 145,809	\$ 235,367	\$ 27,687	\$ (8,815)	\$ 678,324

Nine Months Ended June 30, 2020

	Gas	Steam	Chilled Water	Water	Waste- Water	Resources	Intercompany Eliminations	Total
Residential	\$ 136,294	\$ -	\$ -	\$ 84,708	\$ 114,859	\$ 15,625	\$ (54)	\$ 351,432
Commercial	50,103	29,782	19,086	49,667	68,624	4,448	(4,062)	217,648
Industrial	9,189	20,887	252	7,361	32,987	572	(1,091)	70,157
Other	1,543	328	-	4,837	10,127	5,333	-	22,168
Revenues - Contracts w/Customers	197,129	50,997	19,338	146,573	226,598	25,979	(5,207)	661,407
Alternative Revenue Programs	-	-	-	-	(13)	32	-	19
Gross Operating Revenues	\$ 197,129	\$ 50,997	\$ 19,338	\$ 146,573	\$ 226,585	\$ 26,011	\$ (5,207)	\$ 661,426

Accounts Receivable and Unbilled Revenue

Amounts due from customers are reflected on the Condensed Combined Statements of Financial Position in the line items labeled "Accounts receivable" for revenue billed to customers and "Accrued utility revenue" which represents unbilled customer revenues. Unbilled revenues relate to a portion of a customer's consumption of utility services from the date of the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage and customer rates. The Company had no contract assets or liabilities during the periods presented. Additionally, the Company has not incurred any significant costs to obtain or fulfill contracts. The opening and closing balances for customer accounts receivable and accrued utility revenue for the nine months ended June 30, 2021 and 2020 are presented in the tables below.

In response to the COVID-19 pandemic, Citizens and CWA suspended shut-offs for nonpayment across all customer classes from March to August 2020. In addition, Citizens and CWA are offering flexible payment plans to customers impacted or experiencing hardship as a result of COVID-19. At June 30, 2021, the Company's allowance for doubtful accounts is \$8.2 million compared with \$5.6 million at September 30, 2020. The adverse impact that COVID-19 will have on customers' ability to pay is unknown and difficult to predict; however, management is monitoring changing circumstances and will adjust, if necessary, the allowance for doubtful accounts as additional information becomes available.

Accounts Receivable, net							
<u>\$ Thousands</u>	<u>Gas</u>	<u>Steam</u>	<u>Chilled Water</u>	<u>Water</u>	<u>Wastewater</u>	<u>Resources</u>	<u>Total</u>
Balance at June 30, 2021	\$ 15,324	\$ 6,844	\$ 6,369	\$ 18,909	\$ 30,492	\$ 3,396	\$ 81,334
Balance at September 30, 2020	12,232	6,437	7,520	24,330	30,686	3,915	85,120
Increase (Decrease)	\$ 3,092	\$ 407	\$ (1,151)	\$ (5,421)	\$ (194)	\$ (519)	\$ (3,786)
Balance at June 30, 2020	\$ 13,951	\$ 5,462	\$ 5,553	\$ 17,773	\$ 25,498	\$ 3,139	\$ 71,376
Balance at September 30, 2019	11,088	6,284	4,916	22,419	28,255	3,833	76,795
Increase (Decrease)	\$ 2,863	\$ (822)	\$ 637	\$ (4,646)	\$ (2,757)	\$ (694)	\$ (5,419)

Accrued Utility Revenue							
<u>\$ Thousands</u>	<u>Gas</u>	<u>Steam</u>	<u>Chilled Water</u>	<u>Water</u>	<u>Wastewater</u>	<u>Resources</u>	<u>Total</u>
Balance at June 30, 2021	\$ 3,631	\$ -	\$ -	\$ 8,948	\$ 13,555	\$ 610	\$ 26,744
Balance at September 30, 2020	2,071	-	-	9,662	11,783	718	24,234
Increase (Decrease)	\$ 1,560	\$ -	\$ -	\$ (714)	\$ 1,772	\$ (108)	\$ 2,510
Balance at June 30, 2020	\$ 1,823	\$ -	\$ -	\$ 8,476	\$ 12,987	\$ 505	\$ 23,791
Balance at September 30, 2019	2,518	-	-	7,957	11,508	442	22,425
Increase (Decrease)	\$ (695)	\$ -	\$ -	\$ 519	\$ 1,479	\$ 63	\$ 1,366

Accounts receivable and unbilled revenues can vary significantly from period to period as a result of weather, customer usage patterns, customer mix, commodity costs, changes in tariff rates, timing of customer collections, timing of rendering customer bills, and meter reading schedules.

6. FINANCIAL SEGMENT INFORMATION

Operations of Citizens include activities in five reportable segments: Gas, Steam, Chilled Water, Water, and Resources. In addition to these business segments, Other is utilized to capture non-revenue generating segment costs (see discussion below). Operations of CWA include activities for the Wastewater business segment. The Chief Executive Officer is the chief operating decision maker for Citizens and CWA.

Gas activities include purchasing natural gas, operating underground natural gas storage facilities in Indiana, and distributing natural gas to residential, commercial, and industrial customers located in Marion County, Indiana.

Steam activities include the production, purchase, and distribution of steam for use in industrial processes and heating buildings in the downtown Indianapolis area.

Chilled Water activities include the production and distribution of chilled water for use in cooling buildings in the central downtown Indianapolis area.

Water activities include the treatment and distribution of drinking water to residential, commercial, and industrial customers located in and around Marion County, Indiana.

Wastewater activities include wastewater collection and treatment services for residential, commercial, and industrial customers located in and around Marion County, Indiana.

Resources conducts for-profit business activities to ultimately provide enhanced benefits to Citizens' beneficiaries. Resources includes several wholly-owned subsidiaries under CESCO, which serves as a holding company for several LLC subsidiaries. CESCO subsidiaries include: Citizens Westfield Utilities, which is the holding company for the three utilities serving Westfield (Westfield Gas, Westfield Water, and Westfield Wastewater); and Citizens South Madison (CSM), a small unregulated water utility. In addition, Resources provides stormwater management services to the City of Indianapolis through Citizens Energy Management Company, LLC.

Other includes certain non-profit instrumentalities, as well as advertising and philanthropic costs that are not recoverable through rates and are funded by contributions from non-regulated segments. Other also includes shared services comprised of various administrative and operational departments that provide support services to each of Citizens and CWA business segments and the combined enterprise as a whole and allocates the associated cost of the services to the appropriate segment. Management reviews the allocation methodology for shared services on a regular basis and refines the methodology as necessary. The former Manufacturing business segment has been reported as Discontinued Operations and is also included in Other. To the extent certain business segments purchase services from one another, these amounts have been eliminated on the face of the condensed combined financial statements. Such transactions are reported gross for segment presentation, with eliminating entries reported as Eliminations.

Operating revenues and operating expenses are set forth in the Condensed Combined Statements of Operations. Operating income represents operating revenues less operating expenses directly attributable to the segments and an allocation of certain operating expenses benefiting each.

Segment statements of financial position at June 30, 2021 and September 30, 2020, statements of operations for the three and nine months ended June 30, 2021 and 2020, and statements of cash flows for the nine months ended June 30, 2021 and 2020 are summarized as follows:

Segment Footnote - Condensed Combined Statement of Financial Position*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**At June 30, 2021*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Assets									
Property, plant, and equipment	\$ 353,786	\$ 75,040	\$ 66,694	\$ 1,227,105	\$ 2,256,301	\$ 244,826	\$ 23,788	\$ -	\$ 4,247,540
Intangibles	-	13,465	37,950	-	-	-	-	-	51,415
Investments	8,380	10,419	4,404	67,211	202,718	584	22	-	293,738
Cash and cash equivalents	82,469	6,165	18,557	46,976	90,735	31,470	11,192	-	287,564
Other current assets	45,452	12,166	12,109	32,096	50,439	6,788	3,545	(11,270)	151,325
Deferred charges and other non-current assets	4,036	1,493	99	18,123	4,220	901	4,313	-	33,185
Total assets	\$ 494,123	\$ 118,748	\$ 139,813	\$ 1,391,511	\$ 2,604,413	\$ 284,569	\$ 42,860	\$ (11,270)	\$ 5,064,767
Capitalization and Liabilities									
Equity	\$ 219,765	\$ 25,444	\$ 102,122	\$ 202,585	\$ 207,351	\$ 124,802	\$ (73,451)	\$ -	\$ 808,618
Long-term debt	163,645	59,668	25,321	886,985	2,156,698	53,841	-	-	3,346,158
Retirement benefit and Other long-term liabilities	45,987	15,163	2,869	227,429	111,197	97,958	99,670	-	600,273
Current mat. of long-term debt	3,890	6,213	5,167	27,260	27,752	-	-	-	70,282
Short-term borrowings	-	-	-	-	-	2,500	-	-	2,500
Current liabilities	60,836	12,260	4,334	47,252	101,415	5,468	16,641	(11,270)	236,936
Total capitalization and liabilities	\$ 494,123	\$ 118,748	\$ 139,813	\$ 1,391,511	\$ 2,604,413	\$ 284,569	\$ 42,860	\$ (11,270)	\$ 5,064,767

Segment Footnote - Condensed Combined Statement of Financial Position*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**At September 30, 2020*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Assets									
Property, plant, and equipment	\$ 344,317	\$ 75,817	\$ 65,566	\$ 1,194,169	\$ 2,154,925	\$ 225,858	\$ 25,690	\$ -	\$ 4,086,342
Intangibles	-	14,202	39,990	-	-	-	-	-	54,192
Investments	7,292	11,779	5,988	73,656	224,619	4,973	273	-	328,580
Cash and cash equivalents	46,316	2,641	23,662	53,634	108,750	21,364	18,554	-	274,921
Other current assets	50,808	12,041	8,862	39,170	49,377	5,474	6,609	(15,274)	157,067
Deferred charges and other non-current assets	4,554	1,712	61	17,760	4,401	801	3,105	-	32,394
Total assets	\$ 453,287	\$ 118,192	\$ 144,129	\$ 1,378,389	\$ 2,542,072	\$ 258,470	\$ 54,231	\$ (15,274)	\$ 4,933,496
Capitalization and Liabilities									
Equity	\$ 165,478	\$ 20,543	\$ 100,673	\$ 168,552	\$ 144,016	\$ 116,517	\$ (77,234)	\$ -	\$ 638,545
Long-term debt	166,222	66,619	31,043	906,186	2,115,839	53,838	-	-	3,339,747
Retirement benefit and Other long-term liabilities	50,684	16,188	2,927	213,348	103,439	79,646	108,854	-	575,086
Current mat. of long-term debt	15,440	6,074	4,986	28,245	45,283	-	-	-	100,028
Short-term borrowings	-	-	-	-	-	1,000	-	-	1,000
Current liabilities	55,463	8,768	4,500	62,058	133,495	7,469	22,611	(15,274)	279,090
Total capitalization and liabilities	\$ 453,287	\$ 118,192	\$ 144,129	\$ 1,378,389	\$ 2,542,072	\$ 258,470	\$ 54,231	\$ (15,274)	\$ 4,933,496

Segment Footnote - Condensed Combined Statement of Operations*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Three Months Ended June 30, 2021*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 37,184	\$ 13,247	\$ 9,925	\$ 50,060	\$ 78,280	\$ 8,755	\$ -	\$ -	\$ 197,451
Intercompany revenues	386	1,111	-	270	304	134	-	(2,205)	-
Gross operating revenues	37,570	14,358	9,925	50,330	78,584	8,889	-	(2,205)	197,451
Operating expenses:									
Cost of goods sold	10,680	7,750	2,966	-	-	250	-	(1,835)	19,811
Operations and maintenance	16,139	4,657	2,329	19,152	21,019	3,445	61	(360)	66,442
Depreciation and amortization	4,761	1,345	1,311	6,692	14,840	1,311	-	-	30,260
Gain on sale of assets	-	-	-	-	-	-	-	-	-
Taxes	2,084	395	667	4,003	7,312	523	-	-	14,984
Total operating expenses	33,664	14,147	7,273	29,847	43,171	5,529	61	(2,195)	131,497
Operating income (loss)	3,906	211	2,652	20,483	35,413	3,360	(61)	(10)	65,954
Other income (expense), net:									
Interest income	23	1	13	394	32	-	25	(12)	476
Non-operating post-employment benefits, net	(60)	(24)	(5)	218	4	2	-	-	135
Other	-	-	-	311	-	58	(593)	-	(224)
Total other income (expense), net	(37)	(23)	8	923	36	60	(568)	(12)	387
Income (loss) before equity in earnings of affiliates and interest charges	3,869	188	2,660	21,406	35,449	3,420	(629)	(22)	66,341
Equity in earnings of affiliates	-	-	-	-	-	-	-	-	-
Interest charges:									
Interest on long-term debt	2,071	761	357	10,077	23,584	530	12	(12)	37,380
Other interest, including net (premium) discount amortization	(670)	(133)	(185)	(1,592)	(7,589)	24	-	-	(10,145)
Total interest charges	1,401	628	172	8,485	15,995	554	12	(12)	27,235
Income (loss) from continuing operations	2,468	(440)	2,488	12,921	19,454	2,866	(641)	(10)	39,106
Loss from discontinued operations	-	-	-	-	-	-	(53)	10	(43)
Net income (loss)	\$ 2,468	\$ (440)	\$ 2,488	\$ 12,921	\$ 19,454	\$ 2,866	\$ (694)	\$ -	\$ 39,063

Segment Footnote - Condensed Combined Statement of Operations*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Three Months Ended June 30, 2020*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 34,443	\$ 13,552	\$ 8,980	\$ 50,643	\$ 73,122	\$ 8,319	\$ -	\$ -	\$ 189,059
Intercompany revenues	414	484	-	299	285	169	-	(1,651)	-
Gross operating revenues	34,857	14,036	8,980	50,942	73,407	8,488	-	(1,651)	189,059
Operating expenses:									
Cost of goods sold	9,086	7,140	2,818	-	-	189	-	(1,159)	18,074
Operations and maintenance	14,809	4,055	1,866	18,739	18,909	3,674	-	(477)	61,575
Depreciation and amortization	4,569	1,305	1,324	6,496	14,440	1,205	-	-	29,339
Taxes	2,124	345	591	3,615	7,210	361	-	-	14,246
Total operating expenses	30,588	12,845	6,599	28,850	40,559	5,429	-	(1,636)	123,234
Operating income (loss)	4,269	1,191	2,381	22,092	32,848	3,059	-	(15)	65,825
Other income (expense), net:									
Interest income	76	8	8	512	161	4	27	(27)	769
Non-operating post-employment benefits, net	(358)	(70)	(14)	11	(62)	(10)	-	-	(503)
Other	12	-	-	(100)	(44)	55	(309)	-	(386)
Total other income (expense), net	(270)	(62)	(6)	423	55	49	(282)	(27)	(120)
Income (loss) before equity in earnings of affiliates and interest charges	3,999	1,129	2,375	22,515	32,903	3,108	(282)	(42)	65,705
Equity in earnings of affiliates	-	-	-	-	-	4	-	-	4
Interest charges:									
Interest on long-term debt	2,344	836	419	10,403	23,010	549	27	(27)	37,561
Other interest, including net discount (premium) amortization	(99)	(166)	(212)	(1,363)	(6,369)	27	-	-	(8,182)
Total interest charges	2,245	670	207	9,040	16,641	576	27	(27)	29,379
Income (loss) from continuing operations	1,754	459	2,168	13,475	16,262	2,536	(309)	(15)	36,330
Loss from discontinued operations	-	-	-	-	-	-	(216)	15	(201)
Net income (loss)	\$ 1,754	\$ 459	\$ 2,168	\$ 13,475	\$ 16,262	\$ 2,536	\$ (525)	\$ -	\$ 36,129

Segment Footnote - Condensed Combined Statement of Operations*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Nine Months Ended June 30, 2021*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 200,210	\$ 50,792	\$ 20,176	\$ 145,287	\$ 234,599	\$ 27,260	\$ -	\$ -	\$ 678,324
Intercompany revenues	5,548	1,550	-	522	768	427	-	(8,815)	-
Gross operating revenues	205,758	52,342	20,176	145,809	235,367	27,687	-	(8,815)	678,324
Operating expenses:									
Cost of goods sold	79,546	27,104	6,099	-	-	1,566	-	(7,740)	106,575
Operations and maintenance	47,642	13,834	6,688	58,185	58,129	10,634	81	(1,044)	194,149
Depreciation and amortization	14,174	4,012	4,016	20,074	44,294	3,892	-	-	90,462
Gain on sale of assets	-	-	-	(1,502)	-	-	-	-	(1,502)
Taxes	7,140	1,190	1,538	12,032	21,840	1,849	-	-	45,589
Total operating expenses	148,502	46,140	18,341	88,789	124,263	17,941	81	(8,784)	435,273
Operating income (loss)	57,256	6,202	1,835	57,020	111,104	9,746	(81)	(31)	243,051
Other income (expense), net:									
Interest income	36	2	31	936	103	1	40	(27)	1,122
Non-operating post-employment benefits, net	(179)	(72)	(16)	655	10	6	-	-	404
Other	(300)	-	-	438	85	168	(1,481)	-	(1,090)
Total other income (expense), net	(443)	(70)	15	2,029	198	175	(1,441)	(27)	436
Income (loss) before equity in earnings of affiliates and interest charges	56,813	6,132	1,850	59,049	111,302	9,921	(1,522)	(58)	243,487
Equity in earnings of affiliates	-	-	-	-	-	-	-	-	-
Interest charges:									
Interest on long-term debt	6,315	2,285	1,070	30,265	70,767	1,591	27	(27)	112,293
Other interest, including net (premium) discount amortization	(1,987)	(407)	(555)	(4,619)	(22,590)	46	-	-	(30,112)
Total interest charges	4,328	1,878	515	25,646	48,177	1,637	27	(27)	82,181
Income (loss) from continuing operations	52,485	4,254	1,335	33,403	63,125	8,284	(1,549)	(31)	161,306
Loss from discontinued operations	-	-	-	-	-	-	(314)	31	(283)
Net income (loss)	\$ 52,485	\$ 4,254	\$ 1,335	\$ 33,403	\$ 63,125	\$ 8,284	\$ (1,863)	\$ -	\$ 161,023

Segment Footnote - Condensed Combined Statement of Operations*Citizens Energy Group and Subsidiary and CWA Authority, Inc.**(In Thousands)**For the Nine Months Ended June 30, 2020*

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Elimin- ations	Total
Operating revenues									
Customer revenues	\$ 195,702	\$ 49,358	\$ 19,338	\$ 145,784	\$ 225,736	\$ 25,508	\$ -	\$ -	\$ 661,426
Intercompany revenues	1,427	1,639	-	789	849	503	-	(5,207)	-
Gross operating revenues	197,129	50,997	19,338	146,573	226,585	26,011	-	(5,207)	661,426
Operating expenses:									
Cost of goods sold	72,656	25,376	6,156	-	-	1,335	-	(3,641)	101,882
Operations and maintenance	47,180	13,823	5,669	56,133	58,919	10,469	-	(1,480)	190,713
Depreciation and amortization	13,976	3,898	3,950	19,824	43,351	3,552	-	-	88,551
Taxes	7,614	1,225	1,426	11,519	21,290	1,678	-	-	44,752
Total operating expenses	141,426	44,322	17,201	87,476	123,560	17,034	-	(5,121)	425,898
Operating income (loss)	55,703	6,675	2,137	59,097	103,025	8,977	-	(86)	235,528
Other income (expense), net:									
Interest income	309	67	104	1,688	1,696	35	205	(195)	3,909
Non-operating post-employment benefits, net	(1,048)	(210)	(41)	35	(184)	(31)	-	-	(1,479)
Other	(254)	-	-	48	(13)	179	(1,446)	-	(1,486)
Total other income (expense), net	(993)	(143)	63	1,771	1,499	183	(1,241)	(195)	944
Income (loss) before equity in earnings of affiliates and interest charges	54,710	6,532	2,200	60,868	104,524	9,160	(1,241)	(281)	236,472
Equity in earnings of affiliates	-	-	-	-	-	2,333	-	-	2,333
Interest charges:									
Interest on long-term debt	7,168	2,509	1,257	31,280	68,767	1,674	195	(195)	112,655
Other interest, including net discount (premium) amortization	(253)	(495)	(632)	(4,026)	(17,668)	29	-	-	(23,045)
Total interest charges	6,915	2,014	625	27,254	51,099	1,703	195	(195)	89,610
Income (loss) from continuing operations	47,795	4,518	1,575	33,614	53,425	9,790	(1,436)	(86)	149,195
Loss from discontinued operations	-	-	-	-	-	-	(629)	86	(543)
Net income (loss)	\$ 47,795	\$ 4,518	\$ 1,575	\$ 33,614	\$ 53,425	\$ 9,790	\$ (2,065)	\$ -	\$ 148,652

Segment Footnote - Condensed Combined Statement of Cash Flows

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
For the Nine Months Ended June 30, 2021 (In Thousands)

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Total
Net cash provided by (used in) operating activities	70,824	10,984	1,682	35,034	74,664	9,513	(2,651)	\$ 200,050
Investing Activities:								
Construction expenditures	(20,888)	(2,746)	(3,385)	(39,768)	(147,696)	(7,682)	(5,962)	(228,127)
Proceeds from asset sale, net of expenses	-	-	-	1,562	-	-	-	1,562
Other investing activities	(468)	(971)	-	(266)	181	3,906	251	2,633
Net cash used in investing activities	(21,356)	(3,717)	(3,385)	(38,472)	(147,515)	(3,776)	(5,711)	(223,932)
Financing Activities:								
Proceeds from bank line of credit	-	2,000	-	-	-	4,500	-	6,500
Repayment of short-term borrowings and bank line of credit	-	(2,000)	-	-	-	-	-	(2,000)
Principal payments of long-term debt and bond refunding	(11,550)	(6,074)	(4,986)	(113,468)	(41,228)	-	-	(177,306)
Proceeds from issuance of long-term debt and bond refunding	-	-	-	96,888	70,475	-	-	167,363
Bond issuance costs	-	-	-	(682)	(390)	-	-	(1,072)
Contributions in aid of construction	-	-	-	6,657	4,263	(614)	-	10,306
Other financing activities	(1,145)	-	-	-	-	-	1,000	(145)
Net cash provided by (used in) financing activities	(12,695)	(6,074)	(4,986)	(10,605)	33,120	3,886	1,000	3,646
Net change in cash, cash equivalents, and restricted cash	36,773	1,193	(6,689)	(14,043)	(39,731)	9,623	(7,362)	(20,236)
Cash, cash equivalents & restricted cash - beginning of period	52,777	14,428	29,650	99,364	331,632	22,333	18,554	568,738
Cash, cash equivalents & restricted cash - end of period	\$ 89,550	\$ 15,621	\$ 22,961	\$ 85,321	\$ 291,901	\$ 31,956	\$ 11,192	\$ 548,502
Reconciliation:								
Cash and cash equivalents	\$ 82,469	\$ 6,165	\$ 18,557	\$ 46,976	\$ 90,735	\$ 31,470	\$ 11,192	\$ 287,564
Restricted cash included in Bond restricted funds	7,081	9,456	4,404	36,140	198,989	486	-	256,556
Restricted cash included in Investments, Other	-	-	-	2,205	2,177	-	-	4,382
Cash, cash equivalents & restricted cash - end of period	\$ 89,550	\$ 15,621	\$ 22,961	\$ 85,321	\$ 291,901	\$ 31,956	\$ 11,192	\$ 548,502

Segment Footnote - Condensed Combined Statement of Cash Flows

Citizens Energy Group and Subsidiary and CWA Authority, Inc.
For the Nine Months Ended June 30, 2020 (In Thousands)

	Gas	Steam	Chilled Water	Water	Waste- water	Resources	Other	Total
Net cash provided by operating activities	\$ 61,816	\$ 5,731	\$ 3,267	\$ 37,597	\$ 71,042	\$ 9,475	\$ (4,590)	\$ 184,338
Investing Activities:								
Construction expenditures	(22,407)	(1,838)	(4,019)	(54,191)	(139,777)	(9,143)	(13,655)	(245,030)
Other investing activities	(515)	-	-	(139)	(4)	2,595	16,496	18,433
Net cash provided by (used in) investing activities	(22,922)	(1,838)	(4,019)	(54,330)	(139,781)	(6,548)	2,841	(226,597)
Financing Activities:								
Repayment of short-term borrowings and bank line of credit	-	-	-	-	(80,000)	-	-	(80,000)
Principal payments of long-term debt and bond refunding	(15,535)	(5,792)	(4,748)	(14,770)	(35,085)	-	-	(75,930)
Proceeds from issuance of long-term debt and bond refunding	-	-	-	-	231,219	-	-	231,219
Bond issuance costs	-	-	-	-	(525)	(84)	-	(609)
Contributions in aid of construction	-	-	-	8,122	2,670	(1,214)	-	9,578
Other financing activities	(1,296)	-	-	-	-	-	1,000	(296)
Net cash provided by (used in) financing activities	(16,831)	(5,792)	(4,748)	(6,648)	118,279	(1,298)	1,000	83,962
Net change in cash, cash equivalents, and restricted cash	22,063	(1,899)	(5,500)	(23,381)	49,540	1,629	(749)	41,703
Cash, cash equivalents & restricted cash - beginning of period	39,073	16,606	31,068	120,664	231,971	22,534	15,923	477,839
Cash, cash equivalents & restricted cash - end of period	\$ 61,136	\$ 14,707	\$ 25,568	\$ 97,283	\$ 281,511	\$ 24,163	\$ 15,174	\$ 519,542
Reconciliation:								
Cash and cash equivalents	\$ 56,131	\$ 5,277	\$ 21,247	\$ 56,382	\$ 61,556	\$ 23,677	\$ 15,174	\$ 239,444
Restricted cash included in Bond restricted funds	5,005	9,430	4,321	38,659	217,783	486	-	275,684
Restricted cash included in Investments, Other	-	-	-	2,242	2,172	-	-	4,414
Cash, cash equivalents & restricted cash - end of period	\$ 61,136	\$ 14,707	\$ 25,568	\$ 97,283	\$ 281,511	\$ 24,163	\$ 15,174	\$ 519,542

7. ADDITIONAL FINANCIAL INFORMATION – CITIZENS WESTFIELD UTILITIES

Operations of CWU include the activities of Westfield Gas, Westfield Water, and Westfield Wastewater. CWU (Parent) is the holding company for the three utilities serving residential, commercial, and industrial customers in Westfield, Indiana:

- Westfield Gas activities include purchasing and distributing natural gas.
- Westfield Water activities include treatment and distribution of drinking water.
- Westfield Wastewater activities include wastewater collection and treatment services.

Condensed Consolidated Statement of Financial Position

Citizens Westfield Utilities, LLC

(In Thousands)

At June 30, 2021

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Assets						
Property, plant, and equipment	\$ -	\$ 13,431	\$ 104,341	\$ 120,944	\$ -	\$ 238,716
Investments	113,687	-	-	-	(113,687)	-
Cash and cash equivalents	378	915	838	14,980	-	17,111
Other current assets	88	3,322	1,582	1,676	-	6,668
Other non-current assets	-	561	201	626	-	1,388
Total assets	\$ 114,153	\$ 18,229	\$ 106,962	\$ 138,226	\$ (113,687)	\$ 263,883
Capitalization and Liabilities						
Member's equity	\$ 104,901	\$ 13,588	\$ 37,443	\$ 62,655	\$ (113,687)	\$ 104,900
Long-term debt	8,902	-	19,926	25,013	-	53,841
Other long-term borrowings	-	4,000	-	-	-	4,000
Other long-term liabilities	-	-	44,625	48,495	-	93,120
Current maturities of long-term debt	-	-	-	-	-	-
Short-term borrowings	-	-	2,500	-	-	2,500
Current liabilities	350	641	2,468	2,063	-	5,522
Total capitalization and liabilities	\$ 114,153	\$ 18,229	\$ 106,962	\$ 138,226	\$ (113,687)	\$ 263,883

Condensed Consolidated Statement of Financial Position

Citizens Westfield Utilities, LLC

(In Thousands)

At September 30, 2020

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Assets						
Property, plant, and equipment	\$ -	\$ 12,387	\$ 94,512	\$ 112,929	\$ -	\$ 219,828
Investments	107,487	-	-	-	(107,487)	-
Cash and cash equivalents	311	843	674	10,904	-	12,732
Other current assets	-	706	2,268	1,854	-	4,828
Other non-current assets	-	598	401	771	-	1,770
Total assets	\$ 107,798	\$ 14,534	\$ 97,855	\$ 126,458	\$ (107,487)	\$ 239,158
Capitalization and Liabilities						
Member's equity	\$ 98,676	\$ 12,680	\$ 35,752	\$ 59,054	\$ (107,487)	\$ 98,675
Long-term debt	8,870	-	19,924	25,045	-	53,839
Other long-term borrowings	-	-	1,000	-	-	1,000
Other long-term liabilities	-	-	38,037	39,753	-	77,790
Current maturities of long-term debt	-	-	-	-	-	-
Short-term borrowings	-	1,000	-	-	-	1,000
Current liabilities	252	854	3,142	2,606	-	6,854
Total capitalization and liabilities	\$ 107,798	\$ 14,534	\$ 97,855	\$ 126,458	\$ (107,487)	\$ 239,158

Condensed Consolidated Statement of Operations
Citizens Westfield Utilities, LLC
For the Three Months Ended June 30, 2021
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 778	\$ 2,744	\$ 3,504	\$ -	\$ 7,026
Operating expenses						
Cost of goods sold	-	250	-	-	-	250
Other operating expenses	3	407	1,050	1,080	-	2,540
Depreciation and amortization	-	188	410	676	-	1,274
Taxes	-	37	261	212	-	510
Total operating expenses	3	882	1,721	1,968	-	4,574
Total operating (loss) income	(3)	(104)	1,023	1,536	-	2,452
Other income	-	1	59	1	-	61
Equity in earnings of subsidiaries	2,019	-	-	-	(2,019)	-
Interest charges						
Interest on long-term debt	46	-	200	283	-	529
Other interest	11	18	7	(11)	-	25
Total interest charges	57	18	207	272	-	554
Net income (loss)	\$ 1,959	\$ (121)	\$ 875	\$ 1,265	\$ (2,019)	\$ 1,959

Condensed Consolidated Statement of Operations
Citizens Westfield Utilities, LLC
For the Three Months Ended June 30, 2020
(In Thousands)

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 678	\$ 2,667	\$ 3,325	\$ -	\$ 6,670
Operating expenses						
Cost of goods sold	-	189	-	-	-	189
Other operating expenses	22	341	904	970	-	2,237
Depreciation and amortization	-	164	351	654	-	1,169
Taxes	-	32	184	133	-	349
Total operating expenses	22	726	1,439	1,757	-	3,944
Total operating (loss) income	(22)	(48)	1,228	1,568	-	2,726
Other (expense) income	-	(3)	52	-	-	49
Equity in earnings of subsidiaries	2,322	-	-	-	(2,322)	-
Interest charges						
Interest on long-term debt	66	-	200	283	-	549
Other interest	34	4	-	(12)	-	26
Total interest charges	100	4	200	271	-	575
Net income (loss)	\$ 2,200	\$ (55)	\$ 1,080	\$ 1,297	\$ (2,322)	\$ 2,200

Condensed Consolidated Statement of Operations**Citizens Westfield Utilities, LLC****For the Nine Months Ended June 30, 2021****(In Thousands)**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 4,385	\$ 7,341	\$ 10,513	\$ -	\$ 22,239
Operating expenses						
Cost of goods sold	-	1,566	-	-	-	1,566
Other operating expenses	22	1,172	3,031	3,180	-	7,405
Depreciation and amortization	-	545	1,206	2,029	-	3,780
Taxes	-	164	909	727	-	1,800
Total operating expenses	22	3,447	5,146	5,936	-	14,551
Total operating (loss) income	(22)	938	2,195	4,577	-	7,688
Other income	-	2	170	3	-	175
Equity in earnings of subsidiaries	6,420	-	-	-	(6,420)	-
Interest charges						
Interest on long-term debt	141	-	600	850	-	1,591
Other interest	32	32	15	(32)	-	47
Total interest charges	173	32	615	818	-	1,638
Net income (loss)	\$ 6,225	\$ 908	\$ 1,750	\$ 3,762	\$ (6,420)	\$ 6,225

Condensed Consolidated Statement of Operations**Citizens Westfield Utilities, LLC****For the Nine Months Ended June 30, 2020****(In Thousands)**

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Eliminations	Total
Operating revenues	\$ -	\$ 3,945	\$ 6,947	\$ 9,782	\$ -	\$ 20,674
Operating expenses						
Cost of goods sold	-	1,335	-	-	-	1,335
Other operating expenses	30	1,011	2,739	3,129	-	6,909
Depreciation and amortization	-	481	1,016	1,947	-	3,444
Taxes	-	156	828	643	-	1,627
Total operating expenses	30	2,983	4,583	5,719	-	13,315
Total operating (loss) income	(30)	962	2,364	4,063	-	7,359
Other income	-	(7)	165	12	-	170
Equity in earnings of subsidiaries	6,125	-	-	-	(6,125)	-
Interest charges						
Interest on long-term debt	224	-	600	850	-	1,674
Other interest	47	20	(1)	(35)	-	31
Total interest charges	271	20	599	815	-	1,705
Net income (loss)	\$ 5,824	\$ 935	\$ 1,930	\$ 3,260	\$ (6,125)	\$ 5,824

Condensed Consolidated Statement of Cash Flows

Citizens Westfield Utilities, LLC

(In Thousands)

For the Nine Months Ended June 30, 2021

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	\$ (153)	\$ (1,267)	\$ 3,028	\$ 5,983	\$ 7,591
Investing Activities:					
Construction expenditures	-	(1,568)	(3,404)	(2,516)	(7,488)
Other investing activities	-	(93)	-	-	(93)
Net cash used in investing activities	-	(1,661)	(3,404)	(2,516)	(7,581)
Financing Activities:					
Proceeds from bank line of credit	-	3,000	1,500	-	4,500
Additional paid-in capital and dividends	220	-	(60)	(160)	-
Contributions in aid of construction and customer advances, net	-	-	(1,100)	486	(614)
Net cash provided by financing activities	220	3,000	340	326	3,886
Net change in cash, cash equivalents, and restricted cash	67	72	(36)	3,793	3,896
Cash, cash equivalents & restricted cash - beginning of period	311	843	1,075	11,472	13,701
Cash, cash equivalents & restricted cash - end of period	\$ 378	\$ 915	\$ 1,039	\$ 15,265	\$ 17,597
Reconciliation:					
Cash and cash equivalents	\$ 378	\$ 915	\$ 838	\$ 14,980	\$ 17,111
Restricted cash included in Other non-current assets	-	-	201	285	486
Cash, cash equivalents & restricted cash - end of period	\$ 378	\$ 915	\$ 1,039	\$ 15,265	\$ 17,597

Condensed Consolidated Statement of Cash Flows

Citizens Westfield Utilities, LLC

(In Thousands)

For the Nine Months Ended June 30, 2020

	Parent	Westfield Gas	Westfield Water	Westfield Wastewater	Total
Net cash provided by (used in) operating activities	\$ (248)	\$ 1,439	\$ 1,151	\$ 5,123	\$ 7,465
Investing Activities:					
Construction expenditures	-	(1,095)	(4,969)	(3,054)	(9,118)
Other investing activities	-	-	-	(4)	(4)
Net cash used in investing activities	-	(1,095)	(4,969)	(3,058)	(9,122)
Financing Activities:					
Bond issuance costs	(84)	-	-	-	(84)
Additional paid-in capital and dividends	360	-	(220)	(140)	-
Contributions in aid of construction	-	-	(1,195)	(19)	(1,214)
Net cash provided by (used in) financing activities	276	-	(1,415)	(159)	(1,298)
Net change in cash, cash equivalents, and restricted cash	28	344	(5,233)	1,906	(2,955)
Cash, cash equivalents & restricted cash - beginning of period	171	1,136	6,001	9,008	16,316
Cash, cash equivalents & restricted cash - end of period	\$ 199	\$ 1,480	\$ 768	\$ 10,914	\$ 13,361
Reconciliation:					
Cash and cash equivalents	\$ 199	\$ 1,480	\$ 567	\$ 10,629	\$ 12,875
Restricted cash included in Other non-current assets	-	-	201	285	486
Cash, cash equivalents & restricted cash - end of period	\$ 199	\$ 1,480	\$ 768	\$ 10,914	\$ 13,361

8. LEASES

The Company has operating leases for certain Thermal Steam property, plant, and equipment. The Company does not have any finance leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet but are expensed on a straight-line basis over the lease term. The Company's leases do not contain any material residual value guarantees, restrictive covenants, or subleases. There were no lease transactions with related parties for the nine months ended June 30, 2021 and 2020.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and lease liabilities are recognized on commencement of the lease based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses the respective business unit's incremental borrowing rate, on a collateralized basis over a similar term, based on the information available at commencement date in determining the present value of lease payments. The lease term includes the option to extend or terminate the lease if it is reasonably certain that the option will be exercised. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable payments, which are immaterial, are excluded from right-of-use assets and lease liabilities are recognized as incurred.

The following table summarizes the amounts recognized on the Condensed Combined Statements of Financial Position related to lease asset and liability balances as of the period indicated (in thousands):

	Combined Statement of Financial Position Classification	At June 30, 2021	At September 30, 2020
Assets			
Right-of-use assets - operating leases	Property, plant, and equipment, net	\$ 3,421	\$ 3,607
Liabilities			
Operating lease liabilities - current	Other current liabilities	\$ 258	\$ 249
Operating lease liabilities - non-current	Other long-term liabilities	\$ 3,163	\$ 3,358

The following table presents the components of lease expense recognized in operations and maintenance expense (in thousands):

	Three Months Ended		Nine Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Operating lease expense	\$ 105	\$ 105	\$ 315	\$ 315
Short-term lease expense	174	194	408	351
Variable lease expense	64	58	218	192
Total lease expense	<u>\$ 343</u>	<u>\$ 357</u>	<u>\$ 941</u>	<u>\$ 858</u>

The following table presents operating lease maturities and a reconciliation of the undiscounted cash flows to operating lease liabilities (in thousands) on a fiscal-year basis:

	At June 30, 2021
2021	\$ 105
2022	420
2023	420
2024	420
2025	420
Thereafter	2,590
Total operating lease payments	4,375
Less: imputed interest	954
Total operating lease liabilities	<u>\$ 3,421</u>

The following table contains additional information related to leases (in thousands):

	At June 30, 2021
Weighted-average remaining lease term	125 months
Weighted-average discount rate	4.9%
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -

Operating cash outflows from operating leases included in the measurement of lease liabilities were \$315 thousand for each of the nine months ended June 30, 2021 and 2020, respectively.

9. DISCONTINUED OPERATIONS AND RELATED ASSET RETIREMENT OBLIGATIONS

The Manufacturing segment, d/b/a Indianapolis Coke, ceased operations on July 13, 2007. Prior to the cessation of operations, Manufacturing (reported as Discontinued Operations) produced manufactured gas, coke, and various chemical by-products for industrial use. Indianapolis Coke had been in operation since 1909 and once produced all of the gas used for heating and other purposes in Marion County. With the introduction of natural gas transported to Indianapolis via interstate pipelines in the 1950's, the percentage of manufactured gas in the gas distribution system gradually declined and reached zero when the Manufacturing segment ceased operation in 2007.

Estimated costs relating to the closure, including liquidation of inventories, plant demolition, and environmental remediation are reflected in the accompanying combined financial statements in accordance with FASB guidance related to asset retirement obligations (ASC 410-20) and exit or disposal cost obligations (ASC 420). Citizens enrolled this facility in the Indiana Department of Environmental Management Voluntary Remediation Program to address historical environmental impacts associated with these operations. Demolition costs concluded in 2017, and costs of remediation will continue for several years. As the full nature and extent of the environmental impacts can be difficult to determine with certainty, Citizens, in conjunction with internal and external environmental consultants, has estimated and accrued costs associated with environmental remediation of this site based on currently available information. Estimates of these costs are included in the combined financial statements as part of the asset retirement obligation. Citizens reviews the asset retirement obligation annually, evaluating newly assumed costs or substantive changes in previously assumed costs to determine if cost estimate impacts are sufficiently material to warrant application of the updated estimates to the asset retirement obligation. Changes resulting from revisions to the timing or amount of the original estimate of cash flows are recognized as an increase or a decrease in the asset retirement cost to the extent applicable.

Activity for the nine months ended June 30, 2021 for the asset retirement obligation liability is as follows (in thousands):

Asset retirement obligation at September 30, 2020	\$	13,474
Accretion expense		413
Remediation liabilities settled		(672)
Asset retirement obligation at June 30, 2021	\$	<u>13,215</u>

The major classes of assets and liabilities of the Manufacturing segment (reported as Discontinued Operations in Other) at June 30, 2020 and September 30, 2020, are as follows (in thousands):

	June 30, 2021	September 30, 2020
Current assets	\$ 865	\$ 1,076
Deferred charges and other non-current assets	1	-
Total assets	<u>\$ 866</u>	<u>\$ 1,076</u>
Equity (deficiency)	\$ (21,255)	\$ (22,503)
Retirement benefit and other long-term liabilities	22,031	23,339
Current liabilities	90	240
Total capitalization and liabilities	<u>\$ 866</u>	<u>\$ 1,076</u>

For the nine months ended June 30, 2021 and 2020, Discontinued Operations operating expenses were \$0.3 million and \$0.6 million, respectively. Approximately \$2.0 million of cash was provided by Gas to Discontinued Operations during fiscal year 2020, and an additional \$1.0 million during the nine months ended June 30, 2021 to settle a portion of the liabilities. Additional cash funding from Gas to settle liabilities may be provided to Discontinued Operations in future periods.

10. RATE AND REGULATORY MATTERS

A. Regulatory Developments

Gas

The gas utility's most recent general rate case order was issued by the IURC in September 2011.

On April 1, 2021, Citizens Gas filed its petition for Gas Cost Adjustment to be applicable during the months of June – August 2021. In testimony supporting the petition, the utility described certain weather-related events that occurred during February 2021, the steps the utility took to manage its gas supply while those events were ongoing, and the corresponding effects on the gas cost adjustments that were proposed. The utility was able to take advantage of capital

investments it has made and operational planning it has conducted to safely and reliably meet the natural gas needs of customers in Indianapolis during the February weather event and also sell gas supplies in certain production areas with the highest price and replace those supplies from a different production area with a lower price. These wholesale sales transactions generated margins that the utility proposed be credited to customers via the GCA, contributing to a projected variance of \$10.6 million. On May 26, 2021, the IURC issued an order finding the steps the utility took during the February weather event, including the wholesale sales transactions, were reasonable and approved the utility's proposal that margins realized from the wholesale sales be credited to customers via the GCA.

On July 1, 2021, Citizens filed a petition requesting the IURC decline to exercise, in part, its jurisdiction over Citizens Gas as an "energy utility" with respect to the utility's proposed provision of natural gas storage services and sales of natural gas in the wholesale market for natural gas.

Citizens Thermal Steam

The steam utility's most recent general rate case order was issued by the IURC in November 2016.

Water

The water utility's most recent general rate case order was issued by the IURC in April 2016.

Wastewater

Prior to the 2019 Wastewater Order described below, the wastewater utility's most recent general rate case order was issued by the IURC in July 2016.

On October 12, 2018, CWA filed a petition with the IURC requesting, among other things, a three-step increase in base rate revenues. On April 12, 2019, CWA, the OUCC and all other parties to the case filed a settlement agreement with the Commission reflecting a three-step increase in base rate revenues of \$31.9 million or 11.9% for the first step, \$13.9 million or 4.6% for the second step, and \$12.0 million or 3.8% for the third step. On July 29, 2019, the IURC issued an Order (the 2019 Wastewater Order) essentially approving the settlement agreement. The step one increase took effect on August 1, 2019 and was reduced by \$1.4 million effective November 22, 2019, since the actual debt service on the CWA bonds issued in 2019 was less than the amount assumed in the 2019 Wastewater Order. The step two increase took effect on September 28, 2020, and was reduced by \$1.4 million effective October 23, 2020, since the actual debt service on the CWA bonds issued in 2020 was less than the amount assumed in the 2019 Wastewater Order. The step three increase will be implemented upon confirmation of pricing for the CWA 2021 bond issuance contemplated in the rate case. The step three increase is also subject to a true-up to the extent actual debt service on the contemplated 2021 bond issuance is materially different than the amount assumed in the 2019 Wastewater Order.

Resources - Westfield Gas

Westfield Gas's most recent general rate case order was issued by the IURC in April 2017.

On April 1, 2021, Westfield Gas filed its application for Gas Cost Adjustment to be applicable during the months of June – August 2021. In testimony supporting the petition, the utility described certain weather-related events that occurred during February 2021, the steps the utility took to manage its gas supply while those events were ongoing, and the corresponding effects on the gas cost adjustments that were proposed. Westfield Gas proposed that an under recovery of gas costs in the amount of \$2.4 million due to the February weather event be collected over a 24-month period to mitigate the bill impact to customers. On May 26, 2021, the IURC approved the utility's proposal to collect the February 2021 under recovery over 24 months. The IURC also found the steps Westfield Gas took to manage its supply during the February weather event satisfied the statutory requirement that the utility follow a policy of securing natural gas supply at the lowest gas cost reasonably possible to meet anticipated customer requirements.

Resources - Westfield Water

Westfield Water's rates were approved by the IURC in November 2013.

Resources – Westfield Wastewater

Westfield Wastewater's most recent general rate case order was issued by the IURC in May 2017.

COVID-19

On May 27, 2020, the IURC issued an order in Cause No. 45380 notifying all jurisdictional Indiana utilities of its decision to conduct a two-phase investigation to consider and address the impacts of the COVID-19 pandemic and the Indiana

Governor's executive orders related to the pandemic on the rates and provision of utility service by all jurisdictional utilities and their ratepayers.

On June 29, 2020, the IURC issued an interim emergency order in phase 1 of Cause No. 45380 (the "First Interim Emergency Order"). In that order, the IURC imposed a disconnect moratorium prohibiting disconnections by all jurisdictional utilities until after August 14 at the earliest. During the same time period, the phase 1 order prohibited jurisdictional utilities from imposing late fees, convenience fees, deposits, and reconnection fees. The IURC also encouraged utilities to make efforts to maintain service for customers, including through the use of flexible payment arrangements. The First Interim Emergency Order also granted all jurisdictional utilities authority to use regulatory accounting for impacts directly associated with the disconnect moratorium, waiver of certain fees, the use of expanded payment arrangements and COVID related uncollectible and incremental bad debt expense. The First Interim Emergency Order did not preclude utilities from requesting authority to defer other increased O&M expenses due to COVID in phase 2 of Cause No. 45380 or a separate proceeding.

On August 12, 2020, the IURC issued a second interim emergency order (1) directing that the disconnect moratorium prohibiting disconnections would not be extended beyond August 14; and (2) extending the prohibition on collection of late fees, deposits, and disconnection/reconnection fees for an additional 60 days until October 12, 2020. On October 7, 2020, the OUCC filed a motion requesting, among other things, the IURC extend the prohibition on collection of late fees, deposits, and disconnection/reconnection fees through December 31, 2020. On October 27, 2020, the IURC denied the OUCC's motion. Accordingly, the prohibition on the collection of late fees, deposits, and disconnection/reconnection fees has now expired.

Phase 2 of the investigation initiated under Cause No. 45380 remains ongoing. At this time, Management cannot predict the outcome of further action that may be taken by the IURC, including the reinstatement of a disconnection moratorium or other customer protections, or the impact such actions may have on the regulated businesses of Citizens and CWA.

11. COMMITMENTS AND CONTINGENCIES

A. Environmental Commitments and Contingencies

Citizens and CWA are subject to various environmental laws and regulations and believe they are in compliance with existing federal, state, and local statutes, ordinances, rules, and regulations governing environmental matters. Citizens and CWA have no way of estimating the enactment or promulgation of future environmental laws and regulations. See Note 9 for additional information regarding demolition and environmental remediation of the former Indianapolis Coke Manufacturing facility. For operating facilities, accruals for environmental commitments and contingencies are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Langsdale Environmental Remediation

Citizens operated a gas manufacturing plant (the Langsdale Facility) at Citizens' Langsdale property from 1931 until 1952. Available records indicate the plant was out of service from 1931 until 1943, at which time the U.S. Department of Defense ordered that the plant be recommissioned to support domestic production associated with World War II. Over the course of its operation, the Langsdale Facility produced manufactured gas, which was distributed to gas customers through the gas utility distribution system. The Langsdale Facility also produced metallurgical coke and other by-products. Citizens enrolled this facility in the Indiana Department of Environmental Management (IDEM) Voluntary Remediation Program (VRP) in 2005 to address historical environmental impacts associated with these operations.

Upon completion of a remediation work plan (RWP) in the fourth quarter of fiscal year 2016, Citizens recorded a \$9.4 million liability for estimated remediation and restoration costs at the Langsdale Facility. These costs were expected to be incurred over a ten-year period. Citizens filed the RWP with IDEM in November 2016. In response to comments received from IDEM in fiscal year 2019 and the filing of a revised RWP in November 2019, Citizens filed a final RWP in April 2020 which received approval from IDEM in August 2020. Pursuant to the approved plan, Citizens revised the remaining liability to remediate the site, recognizing income of approximately \$5.7 million in September 2020 as estimated future costs to complete the remediation plan were less than those accrued at that date. The obligation is included in "Other current liabilities" and "Other long-term liabilities" in the Combined Statements of Financial Position and represents management's best estimate of the costs for remediation and restoration of the site. The accrued liability related to Langsdale environmental remediation was \$0.4 million and \$0.7 million at June 30, 2021 and September 30, 2020, respectively. Due to a number of uncertainties, including uncertainty of timing, the scope of remediation, future technology, regulatory changes, and other factors, the ultimate remediation costs may exceed the amounts estimated.

Potential National Priorities List Site, Indianapolis

In April 2016, the United States Environmental Protection Agency (EPA) proposed that an area near downtown Indianapolis be added to the National Priorities List (NPL) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), commonly known as "Superfund," due to the presence of certain chlorinated solvents in groundwater. The area is expected to include two well fields operated by Water. In addition, Gas owns property within the evaluation area. In June 2017, the EPA acknowledged its agreement with the Indiana Department of Environmental Management (IDEM) to defer final listing of the proposed site to the NPL whereby IDEM will oversee response actions at the site. It is probable that the company will incur costs related to IDEM's response actions. While those amounts are not reasonably estimable at this time due to the early stages of this process, management does not anticipate they will have a material effect on its financial position, operations, equity, or cash flows at this time.

Water System

The Water System is currently in compliance with the requirements of the Clean Water Act, the Safe Drinking Water Act, the Disinfectants and Disinfection Byproducts Rule, the Enhanced Surface Water Treatment Rule, the Radon Rule and other applicable laws, except to the extent that such non-compliance would not have a material adverse effect on the Water System.

Wastewater System

The Wastewater System is subject to wastewater collection and treatment requirements under both federal and state law. Those requirements are contained in a National Pollutant Discharge Elimination System (NPDES) permit. Both United States Environmental Protection Agency and Indiana Department of Environmental Management have jurisdiction over the Wastewater System. As authorized by the Clean Water Act, the NPDES permit program controls water pollution by regulating point sources that discharge pollutants into waters of the United States.

Combined Sewer Overflow Long-Term Control Plan Consent Decree

As was the common engineering practice during the late 1800's through the early 1900's, the older portion of the Wastewater System was designed to carry both stormwater and sanitary waste (also referred to as a "combined sewer system"). In times of wet weather, the capacity of the combined portion of the System can be overloaded. Combined Sewer Overflow (CSO) outfalls that discharge to Indianapolis' waterways were constructed as relief points to prevent combined stormwater and sewage from backing up into homes, businesses, and streets. The EPA requires communities to implement specific minimum controls and to develop and implement long-term control plans (LTCPs) to reduce CSOs by capturing or eliminating these overflows. The City of Indianapolis (the City), Indiana Department of Environmental Management (IDEM), U.S. Environmental Protection Agency, and the U.S. District Court entered into a Consent Decree in 2006 that established a LTCP to address the System's combined sewer system. The plan established a 20-year schedule for the required combined sewer system and advanced wastewater treatment plant (AWTP) improvements. In 2020, the EPA and IDEM approved a Use Attainability Analysis (UAA) for the long-term sewer overflow control plan.

Upon acquisition of the Wastewater System in August 2011, CWA assumed the City's obligations under the order of the U.S. District Court for the Southern District of Indiana (the Court) dated December 19, 2006, among the EPA, IDEM, and the City, as amended (the Consent Decree). CWA has a capital improvement plan to meet guidelines of the Consent Decree and the overall needs of the Wastewater System. The improvements related to the Consent Decree and LTCP have been planned and scheduled through 2025. The DigIndy program, the most significant element of the Consent Decree, is the largest sewer infrastructure project in Indianapolis' history. The Deep Rock Tunnel Connector (DRTC) and the Eagle Creek Tunnel are the first two segments online of the 250 feet deep, 28-mile underground tunnel system designed to store 250 million gallons of combined sewage during wet weather events to prevent overflows from entering area rivers and streams. The stored flows are pumped to the Southport AWTP, which was expanded as a part of this Consent Decree. The Belmont AWTP was also expanded as part of the Consent Decree and this work was completed in 2012. On December 29, 2017, the first 10 miles of the DigIndy Tunnel system and the DRTC pump station were operational and are in use. Mining for the White River and Lower Pogue Run tunnels, which comprise approximately 7.4 miles of the DigIndy tunnel system, began in September 2016 and finished in April 2019. Work to prepare the White River and Lower Pogue Run segments to capture raw sewage is ongoing with the tunnels scheduled to be online in 2021. Tunnel boring to mine the 3.4-mile Fall Creek Tunnel has been completed. Mining began on the tunnel system's final segment, the 7.6-mile Pleasant Run Tunnel, in April 2021. CWA estimates the projected cost of the Consent Decree, including capital and operation and maintenance costs, is approximately \$2.0 billion in 2016 dollars.

B. Legal Contingencies

Citizens and CWA are party to litigation in the normal course of business in which the payments for damages may be substantial but cannot be determined. Management regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. Management believes that these matters ultimately will be resolved in a manner which will not materially adversely affect the financial position, operations, equity or cash flows of Citizens and CWA.

12. SUBSEQUENT EVENTS

Management has considered the impact of subsequent events through August 18, 2021, the date at which these condensed combined financial statements were issued.